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VALUE:

A CRITICISM OF POLITICAL ECONOMY, AND SOCIALISM

AND A

SOLUTION OF THEIR ANTAGONISM.

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VALUE:

A CRITICISM OF POLITICAL ECONOMY AND SOCIALISM;

AND A

SOLUTION OF THEIR ANTAGONISM.

BY

JOHN ARMSDEN.

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"Economists have been more concerned with the centralization of wealth than with the details of its partition. It is not surprising that this should be the case. Most writers on political economy have been in opulent, or at least easy, circumstances."—*Prof. Thorold Rogers.*

"The good want power but to weep barren tears:
The powerful goodness want,—worse need for them:
The wise want love: and those who love want wisdom:
And all best things are thus confused to ill.
Many are strong and rich, and would be just,
But live among their suffering fellow-men
As if none felt; they know not what they do."

—*Shelley.*

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PREFACE.

PREFACE.

IN bringing this small volume before the public, I do so only after several years of constant meditation on the subject treated, and after diligent research in nearly all the schools of thought, economic and philosophic. Those who have given the question of value even the least attention will readily grant that there is room for discussion; and those to whom this work will for the first time introduce its importance, may, I hope, find in it sufficient to, at least, whet their appetite for a further and more extensive research.

Economists, too, I venture to think, will find something worthy of their consideration; for it will bring under their notice a Philosophy which is only too much neglected; while, in the aggregate, it will give a new aspect to many of the pressing questions of the day, and point a way of escape from that which is, by some,

looked upon as an evil, but accepted as inevitable; indeed, *is* inevitable unless its general idea is satisfied —I mean Socialism. In evidence of this, I quote from George Bernard Shaw, one of the leading exponents of Socialism. In answer to Auberon Herbert, he says:— "I prefer the justifiable physical force of Social Democracy to the unjustifiable physical force of to-day. I understand that you would prefer no force at all, despotic or democratic. So would I; and when the alternative between Social Democracy and perfect freedom presents itself, I shall vote for perfect freedom. At present the choice is between Social Democracy and the despotism of a small minority which extorts from the vast majority half the produce of their toil by deliberately organised coercion. Consequently I am a Social Democrat. . . . You have not the slightest warrant for assuming that I 'worship' physical force a bit more than you do. As a matter of fact, my objection to what you call a free life is that it offers no solution whatever of economic problems, which if left unsolved, would produce, not a free life, but a free fight, ending in the enslavement of the vanquished."

This expresses the thoughts of many Socialists; and the main strength of Socialism lies in the truth of its criticisms of present societary relations, being at the same time (as a constructive theory) very presentable

to a hungry man, or one struggling against the huge monopolies he has to encounter on every hand. Come, it says, I will feed you, and lift you from that harrowing anxiety and uncertainty which is your lot, and place you in a position of security and comfort.

Everywhere men are succumbing to the temptation, the "master delusion." This must be, since, whatever may be said of our general advancement, the evils of to-day are getting more and more unbearable. And men will rid themselves of evils, though they fly to others they know not of. On the other hand, it is difficult to portray the errors and more distant evil results of Socialism, since they, at present, can only be seen with the mental eye, and long dissertations on the matter of individual rights, and Liberty, to come, some day, perhaps, is altogether insufficient to overcome the form which the instinct of self-preservation now presents. Still, if it can be shown that the security and contentment which Socialism claims to offer, is to be achieved without that dangerous exercise of force and concentration of governmental officialism which is its inevitable consequence; if it can be demonstrated that monopoly and not competition is the dragon to be fought, and that, in its absence, industry would proceed by leaps and bounds, without necessarily scouring the earth for fresh markets; that in reality, as Say expresses it, the

quantity of products offered and the quantity in circulation would always be synonymous, and products bought with products, then will men turn once more with their face towards Liberty, and continue the process of ridding themselves of yet more governmental interference.

By criticism and affirmation of the various representative economists, I shall trace the progress of the theory of value, as the development of political economy presents it, to its complete form, and show that society has evolved conditions which are on the point of giving practical effect to this theory.

The treatment of this subject, so subtle in its nature, must necessarily call for the utmost of the general reader's attention; but once understood, there is no question of political economy that it is not the key to.

J. ARMSDEN.

November, 1890.

CHAPTER I.

The Economists on Value.*

The subject I apply myself to in this small work, is acknowledged to be, at once, the most difficult, the most fundamental, and, consequently the most important that Economists have to grapple with. It is the very hub of political economy, and a correct answer to the question, "What is Value?," is the solvent in which most of the errors of social science will find their solution. The ambiguity of the word Value contributes no small share to the confusion we see accompanying it in all its aspects; yet it is one of the most expressive of every-day use, while nearly all the energy of mankind is, consciously or unconsciously, directed towards the establishment of its equation. The higgling of the markets, Strikes, Riots, Revolutions, are none other than unconscious attempts to realize value, and utopias of all sorts are more or less conscious attempts at the same.

The question of value is fundamental. Says Mill, "Almost every speculation respecting the

* By "the economists" I mean those of the school of Ricardo, Smith, Mill, Say, etc., unless I qualify the word by reference to any other.

economical interests of a society implies some theory of value; the smallest error on that subject infects with corresponding error all other conclusions; and anything vague or misty in our conception of it, creates confusion and uncertainty in everything else." Smith, Ricardo, McCulloch, Say and other French writers; Jevons, Price, Walker, Cairnes, etc., are all equally emphatic on the matter of its importance. Some economists thought it necessary to bring their minds to a very positive position before they could proceed with the science. Mill, for instance, declares emphatically, and with a degree of certainty which the advance of social science did not at all warrant, that "happily there is nothing in the laws of value which remains for this or any other writer to clear up." Indeed, that there is no measure of values; value is value, and their comparison is effected without a point of comparison between them. There is no real measure of value, he says, other than "the quantity of other things which can be obtained in exchange for it. The value of one thing must always be understood relatively to some other thing, or to things in general. There is no such thing as a general rise in values." J. B. Say, in his "Traité D'Economie Politique," says, "Toujours est il vrai qu'une valeur incontestable est la quantité de toute autre chose qu'on peut obtenir du moment qu'on le désire en échange de la chose dont on veut se défaire." Again, "La valuer du chaque chose est arbitraire et vague, tant qu'elle n'est pas reconnue. La possesseur de cette chose pourrait l'estimer tres haut sans en être plus riche. Mais du moment que d'autre personnes consentant à donner en échange, pour l'acquérir d'autre choses pourvues de valuer de leur côté, la quantité de

ces dernières que l'on consent à donner est la measure de la valuer de la première." The reader will observe that here, Mill and Say, and with them other economists, do but utter a tautology.

As to Mill's positive position on the matter, here is what Mr. Thornton says in the October number (1876) of the *Contemporary Review*:—"Most members of the Political Economy Club must be familiar with an anecdote of Sidney Smith's, who, not many months after joining the club, announced his intention to retire, and on being asked the reason, replied, that his chief motive for joining had been to discover what value was, but that all he had discovered was that the rest of the club knew as little about the matter as he did. That his sarcasm, however severe, was probably not unmerited, may be inferred from the haze with which the object of Sidney Smith's curiosity is still surrounded, and from the at least very partial success of the recent attempt made by so powerful a thinker as my lamented friend, the late Professor Cairnes, to pierce the cloudy envelope."

Professor Bonomy Price, after making the above quotation, goes on to say:—"Fortunate would it have been for Political Economy if Mr. Mill's happy and confident belief that the meaning of the word value had been discovered once and for ever, had been warranted by fact; that the sense of a first-rate expression had been ascertained with the precision of a geometrical truth. But alas, the history of economical writing, since the days when Mr. Mill had this delightful sensation, records only a series of never-ending struggles to catch the ever-fugitive meaning of this most baffling of words, till at last Professor Jevons, one of the latest

wanderers in the trackless region, is forced to exclaim that 'he will discontinue the use of the word altogether.' Many may feel disposed to think that Political Economy has come to a pretty pass when Professor Perry flings away the word wealth, and Professor Jevons the word value, both unquestionably able and eminent economists, as hopeless. What is the vaunted science to speak about?"

Thus the economists affirm both the importance of the question of value, and the unfathomable depth of the mystery.

Since the days of Smith and Ricardo, till those of more modern lights, hereafter to be considered, the theory of value has retrogressed. Both these economists, notwithstanding their contradictions and false positions, were conscious of some principle which they in vain attempted to grasp and explain, and their failures and consequent inconsistencies and dilemmas, appear to have blinded their successors to the existence of such a principle.

Since, then, it has baffled such eminent thinkers as those aforementioned, and others equally eminent, not mentioned, are we to give up the hope of ever finding the principle? From the time the importance of the matter dawned upon my mind I have never let it rest, and have sought for light in places where many are either afraid to look, or too much wrapped up in certain conceits and prejudices to do so. If I err in my conclusions, there is at least the consolation that others greater than I, have, in the attempt, landed themselves into an inextricable maze of absurdities and inconsequences; or, like Marx stopped short in such an incomplete manner, as to cause his theory exactly to fit in with an ideal with

which he was much prepossessed. However, another economist, at present much neglected, but who is yet to be acknowledged as a learned philosopher and profound thinker—I refer to P. J. Proudhon*—had already treated the theory of value, and, taking more as a thing granted all that Marx has developed in such detail, proceeded successfully, by his method, unique in economics, to apply the principle.

The two authors just named attach no less importance, but rather a little more, to the theory of value, and consider it no less fundamental than do the other economists; indeed they make it the foundation stone of their economic thoughts. Value, says Proudhon, "is the corner stone of the economic edifice"; and again, "the fundamental idea, the dominant category of political economy, is value."

Political economy is a chant to the God Property;

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* The complete works of P. J. Proudhon can be had in the French, in 51 vols., and a splendid translation, got up in superior typographic style, of his "Qu'est-ce que la Propriété," and his "Systèm des Contradictions Economiques," can be had from Mr. B. R. Tucker, Boston, Mass. Price 1 dol. per vol.

The style of Proudhon, perhaps, is not calculated to contribute to the reader's exact understanding of him. He is, in contrast to Marx, who is somewhat dull and heavy, light and lively, but also, I am inclined to think, too much given to the provocation of his contemporaries by the use of ambiguities.

Mazzini describes him as "powerful to dissolve," "a very Mephistopheles of Socialism." Sparing no conventionality the lash of his potent irony, and being anathema to socialists and proprietors alike, it is little wonder that he is neglected and misunderstood; but the world cannot afford to lose truth even though the thick hide of conventionality is pierced in the rescue.

the literary expression of one of the antithetical principles between which society continually oscilates: Communism is its opposite factor; and the two are ever in deadly struggle, the latter rising, phœnix-like from its ashes, as Property developes the materials necessary for its activity. It is very active to-day; yet Mill says the theory of value is complete. It is the incompleteness of the theory of value, and its concrete expression, which is the very life of Communism of all grades, as I shall show in due course.

But the economists have accomplished no small task; they have collected the elements of the objective part of a science which is the apex of all the sciences, the one which includes all others—the science of social economy. It is as yet a somewhat ill-assorted bundle of contradictions and incongruities, but the economists hold to its conclusions with optimistic intractibility, this being a serious blemish upon their efforts.

Social Science is complete, for Mill has said it; and strikes, riots, French revolutions, and Paris communes are merely inconvenient incidents of the law of supply and demand—inconveniences, however, which might, at any moment, land society—Heaven knows where.

From the metaphysical stage of the theory of value, under the treatment of Dr. Smith and Ricardo, it has receded to the theological, even as sceptical society almost invariably returns to unbounded faith. There is no measure of value, say the economists, all is arbitrary; just as naturalists, in the absence of the wider knowledge of the connection of things, used to declare for special creation. It is true, Adam Smith very

explicitly denies a measure of value, but he cannot rest at that long, and tries to find it in corn, besides assuring us that "Labour was the first price—the original purchase-money that was paid for all things."

He also says, "in that early and rude state of society, which precedes both the accumulation of stocks and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another. . . . . It is natural that what is usually the produce of two days', or two hours' labour, should be worth double of what is usually the produce of one day's, or one hour's labour." That this is really the foundation of the exchangeable value of all things, says Ricardo, "excepting those which cannot be increased by human industry, is a doctrine of the utmost importance in political economy; for from no source do so many errors, and so much difference of opinion in that science proceed, as from the vague ideas which are attached to the word value."

Important as this conception is, neither Smith nor Ricardo could keep it well in hand, both seeing, with more or less consciousness, its inadequacy to explain existing phenomena. To say that the produce of one hour's labour should be worth only half as much as the produce of two hours, is talking of something which is quite contrary to fact, and which neither one economist nor the other believed could be consummated. That one hour's labour of average intensity is worth only half as much as two hours' of average intensity, *in the same sphere of industry*, is, perhaps, more nearly correct, but what social science has to do, is to tell us why

one hour's labour in one sphere, is worth as much as that of a year in another, or a month, or a week, as the case may be; how it is that the product of one day, in one industry, is worth as much as the product of a week, in others. That is the question for political economy; but which question it has not yet formulated much less answered. Ricardo, often enough, speaks of the quantity of labour as determining the value of things, but he uses the term "quantity of labour" to express both labour time and qualitative labour,—either as convenience demands,—and so avoids the real problem, or what is worse, builds his edifice upon this unsound basis, and thus leaves political economy to be a butt for all kinds of charlatans.

It is this double use of the term "quantity of labour," not alone by Ricardo, but by all those economists who accept the general idea of Smith in regard to labour and value, which has perpetuated most of the evils, oppressions, wars, and revolts of this century. This is, perhaps, a premature and bold use of the theory of small causes, but I believe I shall be able to thoroughly establish the truth of the assertion. Yet such appears to be the decree of fate, that before humanity can enter into the full enjoyment of political and economic freedom (one is the necessary counterpart of the other) it must be tried over and over again so that no alloy shall remain, and so that that of which man is composed shall be of firm and endurable morality. Even the tyranny and oppression of governments are not unmixed evils, for as Proudhon says, do not the circumstances of the birth of competition presuppose the engendering of monopoly, which in its turn calls forth the state? The state then becomes, with the proletaires, a new bondage that they may

extend the hand of fraternity. And is not monopoly the result of an unbalanced market, that is, a market in which value has not found its solution? Yes! Given man's origin, all the industrial moments of society are inevitable, and necessary, and now the sum, the synthesized product, is, perhaps, after one more struggle, to be realized—Liberty and wealth for all.

But to return: Ricardo is not "inattentive to the different qualities of labour, and the difficulty of comparing an hour's or a day's labour in one employment with the same duration of labour in another. The estimation in which different qualities of labour are held, comes soon to be adjusted with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer, and intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day's labour of a working jeweller be more valuable than a day's labour of a common labourer, it has long ago been adjusted and placed in its proper position in the scale of value" !!* And Adam Smith, he also is not inattentive to the different qualities of labour. "It is often difficult," he says, "to ascertain the proportion between the different quantities of labour. The time spent in two different kinds of work will not always alone determine this proportion. The different degrees of hardship endured, and the ingenuity exercised, must likewise be taken into account. There may be more labour in an hour's hard work, than in two hours' easy business; or in an hour's application to a trade which it cost ten years' labour to learn, than in a month's industry at an ordin-

*Ricardo's "Principles of Political Economy," Ch. 1, Sect. 2.

ary and obvious employment. But it is not easy to find any accurate measure either of hardship or ingenuity. In exchanging, indeed, the different productions of different sorts of labour for one another, some allowance is commonly made for both. It is adjusted, however, not by any accurate measure, but by the higgling and bargaining of the market, according to that sort of rough equality, which, though not exact, is sufficient for carrying on the business of common life. Every commodity, besides, is more frequently exchanged for and thereby compared with other commodities than with labour. It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it can purchase."* I hope the reader has given careful attention to these two quotations, for they reveal the whole confusion of economists on this matter. In speaking of the exchangeable value of commodities, they mean that relation of prices which results from the laws of production and exchange: yet, as between the prices of commodities produced by a common labourer and those produced by a jeweller, all they have to say, is, that we must not suppose them inattentive to the fact, and to the difficulty of analysing it. Indeed, in the face of the difficulty, they say these laws are no laws; everything is arbitrary and vague; some allowance must be made for the skill and ingenuity, and hardship displayed in different degrees, somehow, and beyond that there's the higgling of the market. As to the "intensity of labour," it is a term which, in the foregoing quotations, has no economic meaning.

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*"Wealth of Nations" Book I., Ch. V.

In Ricardo, in the next section, a page or two farther on, we are told that if the intensity of labour increases twenty per cent., the labourer gets no more reward, and commodities that would formerly have exchanged for one sovereign would then only exchange for sixteen shillings. It cannot be, then, in this sense that the term, "intensity of labour," is used, for it adds nothing to the reward of the labourer; and skill is only another form of intensity which may express itself either in the quick despatch of the work in hand, or in the elegance of its finish, or both. It must be admitted, however, that a good workman will often, though not invariably, command either more regular employment or higher wages, but how much this extra skill is due to the time spent on his education, and how much to his inherent capacity, it is not easy to say, nor is it material, since individual skill only operates, as bringing extra reward to the labourer, where the competition is between one common labourer and another, one shoemaker and another, one carpenter and another, etc., and then the difference is but as the waves in regard to the sea level—they leave an average; and it is the difference between these averages, between the reward of the common labourer and the jeweller or chemist, bank clerk, doctor, lawyer, business man, director, that neither intensity, skill, nor hardship can account for; the latter element, usually, in this consideration, accompanying a meagre reward.

It is a great question, I know, and much debated, as to whether the occupations of a doctor, chemist, lawyer, director, business man, do not require an inherently superior intelligence to that possessed by the average machanic or labourer. Looked at superficially, the

result is almost always a conviction in the affirmative; yet I think it is pretty readily admitted, that, should a child from the lower classes be admitted into some family of the well-to-do, he very often shows the wonderful effect of altered circumstances, and commercial success shows how easily more opulent conditions impress themselves even on full-grown manhood. The economic reasons will appear later, but for the present it will be as well to say that I do not at all admit that the difference in the mental superiority of men is reflected by their social position or occupation.—"How are the majority of men trampled in the mire, made hewers of wood and drawers of water, long, very long before there was any opportunity of ascertaining what it was of which they were capable."* Anyhow, I shall endeavour to show that it is not skill, but something else, which gives the difference in social position, and that in a more definite manner than has hitherto been done.

One other reason Ricardo gives for the difference in the value of the products of the different occupations, viz., "the time necessary for the acquirement of one species of manual dexterity more than another." This is quite legitimate, and quite in accordance with his theory that labour is the principle by which the values of things are compared one with another. But the dexterity of labour, unlike other things, is that which sells over and over again, a thousand times, so that the value of one day's labour over another would not be in accordance with the difference in time necessary for acquiring the difference in skill, but in accordance with

* "Thoughts on Man."—Godwin.

that time divided by the number of days the labour is sold. If, in the manufacture of commodities, the cost of the wear of machinery is one thousand pounds in five years, two hundred will enter into the value of the annual produce, plus interest on the money: so, if a certain quantity of labour time is used in acquiring the knowledge of a trade, it is quite in accordance with Ricardo's theory that it should augment the value of labour on the market. But who will suppose that the difference, in time, of acquiring a knowledge of the different trades and occupations is sufficient to account for their difference in remuneration? To put it any other way than labour-time is begging the question, so Ricardo fills up the void which his theory lacks by the very conveniently expansive and indefinite thing "estimation." But to estimate, we must do so according to some rule, and there must be some thing, or things, in reality for the estimation to make comparisons by. To estimate the values of commodities, then, it must be by some factor common to them all. That is a simple-enough fact, indeed; yet, simple as it is, the economists seem to strangely ignore it, and speak of the estimation of the value of things as if that went to the root of the matter, and settled it, and as if the process of estimation was not the very thing under examination.

Adam Smith has a whole chapter on the "Wages and profits in different employments." He commences by saying that the whole of the advantages and disadvantages of the different employments of labour and stock, must, in the same neighbourhood, be either perfectly equal, or continually tending to equality; and straightway enters into dissertations which, if true, prove quite the contrary. Nevertheless, the chapter

well deserves its reputation, and if more logic and less talk were applied to it, many of the evils of society would be on a fair way to being removed.

Sufficient, now, I think, has been said to show how inadequate is the theory of value as it is put forth by the economists of whom Ricardo, Smith, and Say are the type. But we will still press farther, and we shall soon discover a still more glaringly false position.

Value, with the economists, is something without a bottom. Labour, it is true, has a somewhat abstract compliment shown it, but it occupies a position in the theory of value, something like that of the elephant in the theory that the world is held upon its back,—it explains nothing and leaves thin air for a foundation.

It is this incompleteness, this absence of terra-firma upon which to rest the corner stone of Political Economy, which makes the exponents of it, alternately with timidity and desperation, declare the impossibility of either a general rise or fall in values.* They base this upon the facts, or supposed facts, that there can be no rise in the value of labour without a fall of profits; that the value of commodities is due to the quantity of labour required to obtain them; that any economy of labour does but alter the *relative* value of commodities, as, everything being worth what it costs,** if the same amount of labour will produce four times the amount of commodities in any one branch of industry, say, for instance, four pairs of stockings instead of one, the fourfold quantity will only exchange

* Mill's "Principles of Political Economy," Book III. Ch. IV., S. II.

** See Ricardo's Principles, Ch. I., Sec. VI.; also Say's "Traité D'Economie Politique."

for the same amount of other commodities, since they will cost no more labour; that should this economy extend to all the objects of the labourer's consumption, we should find him, probably, at the end of a very few years, in the possession of only a small, if any, addition to his enjoyments.†

McCulloch, however, admits that the produce assigned to the labourer *may* be increased as a result of the increased productivity of industry.

It is against this complacent acquiescence in the eternal doom of the labourer to receive none of the increased productiveness of labour, except such as it can snatch from the profits of capital, that this volume is a protest.

That any variation in the quantity of labour required to produce any one commodity will not cause any alteration in the real value of things, but will effect their value only in relation to each other. This is a position the economists endeavour to maintain, thus:—"In the same country, double the quantity of labour may be required to produce a given quantity of food and necessaries at one time, that may be necessary at another and a distant time; yet the labourer's reward may be little diminished. If the labourer's reward at the former period were a certain quantity of food and necessaries, he probably could not have subsisted if that quantity had been reduced. Food and necessaries in this case would have risen 100 per cent. if estimated in the quantity of labour necessary to their production; while they will scarcely have increased in value if measured by the quantity of labour for which they

† Ricardo's Principles, Ch. I., Sec. I.

will exchange."‡ I confess this paragraph puzzled me for some time. It is a fundamental theory with Ricardo that the exchange of commodities is the exchange of equal quantities of labour, and here we have him telling us that necessaries which cost 100 per cent. more labour, will, nevertheless, exchange for no increased quantity. Obviously Ricardo has here dressed this idea in a very pretty garment. Let us clarify it, reverse it, place it in the order of progress, and put it in a style less pleasing to the labourers; thus:—In a country, the productivity of those industries devoted to the production of necessaries, has increased one hundred per cent; but the reward of the labourer is not increased as a consequence, and the product of one day's labour will still only exchange for the product of a like quantity of labour in other industries which have not increased in productiveness. Let us put it in another form. Twenty days' labour produces ten pounds' worth of necessaries; ten pounds' worth of necessaries will exchange for other commodities which are the result of a quantity of labour equal to twenty days. But owing to increased productivity in those industries producing necessaries, twenty days' labour now produces double the quantity of products. This double quantity will, nevertheless, only exchange for other commodities of a like amount as before, since the industries producing the other commodities have not intensified in productiveness; twenty days' labour exchanges for twenty days' labour, and therefore the labourers, not engaged in producing necessaries, will find their reward doubled, or increased by one hundred per cent. This, however, the Econo-

‡Ricardo, "Principles of Political Economy," Sec. I., Ch. I.

mists would not admit, for it would then follow that a like percentage of intensified production in other industries would double the quantity exchanged for necessaries, indeed, double the reward of the labourers all round, and Ricardo assures us that the reward of the labourer does not increase from such causes. It follows then, that the labourers engaged in producing the other commodities above referred to, either do receive a double share of necessaries as a result of increased productivity in those industries producing them, in which case the reward of the labourer does increase in proportion to increased productiveness, or, if they only receive the same *quantities* of necessaries, then, in exchange for twenty days' labour, they do but receive ten days. Either one or the other; and I challenge the Economists to answer. If they say the former, I reply, it is contrary to fact; if the latter, then where do the rest of the commodities go in which are embodied the remaining ten days' labour?

The paragraph I have selected for criticism is not an isolated slip of thought, but typical of the whole position of orthodox political economy. Here is another quotation from Ricardo's Principles. "If the shoes and clothing of the labourer could, by improvements in machinery, be produced by one fourth of the labour now necessary to their production, they would probably fall 75 per cent, but so far is it from being true that the labourer would thereby be enabled, permanently to consume four coats, for our pairs of shoes, instead of one, that it is probable his wages would in no long a time be adjusted by the effects of competition, and the stimulus to population, to the new value of the necessaries on which they were expended. If these improvements extend to all the objects of the labourer's consumption

we should find him, probably, at the end of a very few years, in possession of only a small, if any, addition to his enjoyments."

Political Economy, above everything else, is an exponent of facts, you know; but it often gets them inextricably mixed up with hopes and unrealities. The two extracts which I have made from Ricardo are specimens of this. The underlying thought of them is, that if, by improved machinery, the clothing, etc., of the labourer could be produced with one half the expenditure of labour, or twice the amount with the same labour, prices would fall proportionately, and one sovereign, while buying no more of those commodities in which there had been no improvement in their production, would buy double of those in which there had been a one hundred per cent improvement. Prices are lowered in proportion to the increased yield; and the labourer finds that, eventually, competition brings his increased daily produce down to the same sum, in money, as his formerly limited amount fetched him, so that in purchasing other goods whose production has not intensified, and whose prices remain unchanged, he obtains no more than before the improvements in producing his own commodity occurred, in short, the product of a day would still exchange for the product of a day, in the same proportions, measured by labour-time. This true and most important idea, which political economy has had dangling before it a century or more, is one which it has never yet fairly grasped the import of. It rather leaves us in the dilemma I have pointed out a few pages back, where the theory and the fact, both true, contradict one another. The theory says, If the product of a day's

labour becomes 20 instead of 10, the increased quantity (20) will exchange for no more of other commodities than the former smaller yield (10). But as I have pointed out, in this case, the producers of the other commodities, who do but give the same quantity in exchange for the double quantity (20 instead of 10) find *their* reward doubled, and if the improvements extend to all the industries, the reward of all labourers is enhanced by fifty per cent. Yet the plain every day fact is, as Ricardo says, that the labourers' rewards do not increase with increased productiveness, not however to any appreciable extent, and certainly not in the same ratio.

This discrepancy between fact and theory, Ricardo bridges over by "the effects of competition and the stimulus to population." But all the effects of competition are displayed in the process of rendering the double quantity exchangeable for no more than the former yield to the same labour. And what the "stimulus to population" has to do with it, I will attend to when there is an economist who can tell what meaning the phrase can here have.

The fact is, the learned economists have brought us into a dilemma, which they cannot, with all their learning, understand and explain the nature of.

If the productivity of industry increases fourfold, the labourer gets no more in exchange for his increased product, as the price is lowered in proportion. This is true enough; but if more in *quantity* is *given* in exchange, then some one gets the increase, notwithstanding that political economy is oblivious of the fact. Proudhon, in one of his ambiguities, declares, that labour creates something out of nothing. The

Economists have surpassed him, for, seriously, and with much labour, they demonstrate that something *is* nothing.

We will consult Karl Marx for a further explanation of the mechanism of production and exchange.

CHAPTER II.

Marx and Value.

I have said that Political Economy is the literary expression of an antithetical law of nature; this law lies deep down in the nature of things, and in the constitution alike of societies and their units,—it is the principle of Property. I am not speaking of any one form of property which has obtained, or is likely to obtain, at any particular time, but of the principle by which man says, this belongs to me, of the form property, not the content.

Alike in society as in the world of nature outside it, its thoughts and actions are not a haphazard, promiscuous arrangement, or non-arrangement, which has come into being without due connection of sequences. Just as in Natural History species are arranged and grouped under heads of characters which are persistent and still more persistent, and are thus classified as species, genra, orders, etc., so the ideas of society, its customs, morals, synthetic concepts, should be observed, examined, their natural sequences noted, and classed in their series. In this manner we come to see that property is an idea under the head of which many thoughts and actions of society may be classed, each partaking of the general characteristic with varying

degrees of persistency. But if this is so, the communistic idea is, perhaps, no less general, and includes an equally large sphere of action and thoughts. In this way it comes to be a correction of any concrete establishment of Property which is not in accordance with what societies conceive to be justice. No less than in the world of practice, where actions of the class Property (Individualistic) and of the class communism (Socialistic) take sides with varying degrees of definiteness, do the philosophers and economists in the literary world, wield the pen with prepossessions which partake, with more or less of compromise, of the two great generalities, Property and Communism. Political Economy is a monument to the former, and insists upon its sacredness at all costs: Marx comes later and raises a monument to the latter. Is not the subtitle of his great work well chosen, "A Critical Analysis of Capitalistic Production"?

The two principles must live, but their content, their modes of existence to-day, must die, for when two such antithetical laws assert themselves, which have not yet become synthesised, we may be sure that a third form must eventually appear, which must swallow up the expressions of each, but preserve the principle of both, the synthesised form.—*Credo quia contrarium* says Proudhon.

Marx, then, is one of the chosen champions of that portion of society which is pre-eminently communistic; but, alas! as the fates have decreed it, he has given that element as its realization is aspired to to-day, and with it the present expression of property, a mortal blow.

Have the Fabians discovered this that they now

swear by Jevons? One of them, again Bernard Shaw, says, that an individualist as well as a Socialist, may quite consistently hold the Marxian theory of value, while Jevons gives greater colour to Socialism.

Having given it its place in the order of things, we will now see what this theory is, which is known as Marx's theory of Value, and observe the part it plays in the development of thought on this never-exhausted subject.

A portion of Marx's work is before the English reading public in two volumes, but as it plays a most important part in the complete theory of Value, I scarcely apologize for attempting to give a summary exposition of it, more especially as Mr. Hyndman, the English exponent, says that the number of people who understand him are small. However, that I may do nothing to mislead the public upon so important a matter, I urge all those who have an opportunity, to apply themselves to "Capital" in corroboration of my version. A concise and good exposition can be found in Hyndman's "Historical Basis of Socialism," "England for all" and in an editorial of the "International Review" for July, 1889, if still obtainable.*

Everything is worth what it costs, says Political economy; but as it has no basic element of value, making use only of a very indefinite term, labour, it is no wonder it is discovered in such insecure positions as our first chapter has shown it to be in. Yet it has done much; it has given forth the idea that there is a good deal of connection between the relative value of products and the amount of labour embodied therein, and once born, there was, and can be, no rest in the

* Reeves, Fleet St.

world of economic thought until the true nature of that connection is known. Marx, seeing the field open, makes a long analysis of the movement of commodities and money, and then proceeds to show that Labour, as spoken of, or conceived of, by the economists as the basis of value, is valueless, for it costs nothing and cannot therefore add to the value of anything. But the energy which is exerted by the human frame, that labour-power which must be expended upon products before they become valuable, does cost something. Thus he argues, and we need not stop to dispute as to whether, as words, "labour-power" can convey any more definite meaning than "labour," but the contexts of the two theories show a wonderful deal of difference between the concepts they are intended to convey.

The body must be kept warm with clothing, housed, and the muscles, etc., require nourishment; all of which is necessary to the expenditure of labour-power. It is not enough to say that wages enter into the cost of production, as do the economists; it leads to no definite reason why they should, why they are not more or less than they are, and in the absence of further explanation, why they do not fluctuate in a most capricious manner. "Supply and demand" cannot explain, and this the economists are conscious of, for if it did, there would be no necessity for them to grope about for something else wherewith to explain the value of commodities: adequately explain the circumstances which give value to a day's expenditure of labour-power, and the problem of value is solved. It is not so very difficult to understand after all, and it lies so near to the hand of the economists that it would almost appear that they had purposely pushed it on one side. Yet

those who are accustomed to research in the abstruse science of social economy, know what slight conceptions, and misconceptions, are sufficient to give an entirely different colouring to the whole of one's thoughts. Let Marx speak in his own way.

At Chapter VI., Vol. 1, p. 149 (translation), he says :—"The value of labour-power is determined, as in the case of every other commodity, by the labour time necessary for the production, and consequently also the reproduction, of this special article. So far as it has value, it represents no more than a definite quantity of the average labour of society incorporated in it. Labour-power exists only as a capacity, or power of the living individual. Its production, consequently, presupposes his existence. Given the individual, the production of labour-power consists in his reproduction of himself or his maintenance. For his maintenance he requires a given quantity of the means of subsistence. Therefore the labour-time requisite for the production of labour-power, reduces itself to that necessary for the production of those means of subsistence; in other words, the value of labour-power is the value of the means of subsistence necessary for the maintenance of the labourer. Labour-power, however, becomes a reality only by its exercise; it sets itself in action only by working. But thereby a definite quantity of human muscle, nerve, brain, etc., is wasted, and these require to be restored. This increased expenditure demands a larger income. If the owner of labour-power works to-day, to-morrow he must again be able to repeat the same process in the same conditions as regards health and strength. His means of subsistence must, therefore, be sufficient to maintain him in his normal state

as a labouring individual. His natural wants, such as food, clothing, fuel, and housing, vary according to the climatic and other physical conditions of his country. On the other hand, the number and extent of his so-called necessary wants, as also the modes of satisfying them, are themselves the product of historical development, and depend, therefore, to a great extent, on the degree of civilisation of a country, more particularly on the conditions under which, and consequently on the habits and degree of comfort in which, the class of free labourers has been formed. In contradistinction therefore to the case of other commodities, there enters into the determination of the value of labour-power a historical and moral element. Nevertheless in a given country, at a given period, the average quantity of the means of subsistence necessary for the labourer is practically known."

After mentioning that the necessaries must be sufficient, not only for the maintenance of himself, but for the support of his children up to certain ages, also for their maintenance while a special kind of education or training is being exercised upon them, the cost of which training enters into value, he says, "The value of labour-power resolves itself into the value of a definite quantity of the means of subsistence. It therefore varies with the value of these means, or with the quantity of labour requisite for their production."

The value of labour-power is a definite quantity of the means of subsistence, and this definite quantity *has a historical evolution;* therefore if the average consumption of the labour-power required in the production of A of coined money, is B of means of subsistence, then the value of one is equal to the value of the other, and if

B is ten pounds of tea, and A is a sovereign, then the value of one pound of tea is two shillings, and the value of the labour-power is ten pounds of tea, or one sovereign. Thus we see that that which determines the value of the product of an *average* day's labour, or rather which is its basic regulator, is an average quantity of the means of subsistence which an average labourer would consume. This quantity finds its formal expression in one particular commodity, coined gold, or money. Therefore we may henceforth, without tautology, speak of the value of the means of subsistence and of labour-power, and not necessarily of the quantity of the means of subsistence.

In this research, by the help of Marx, we have made a very special advance since our last chapter. We find that what lies behind the value of labour-power, is a definite quantity of the means of subsistence, something measurable; also that this definite quantity has a *historical and moral development*. This latter fact is important; more important than, as far as I can gather, Marx was aware of. But for the present we will leave that.

Adam Smith was in search of "that principle of value, which never varying in its own value, is alone the ultimate and real standard by which the value of all commodities can at all times and places be estimated and compared." He named the commodity, *labour*. But not seeing the nature of the circumstances which gave that commodity a definite value, he did not, and could not, hold to that idea consistently.* Moreover there is no commodity which never varies

* See Book I., ch. 5, "Wealth of Nations."

in its own value,* but there is a commodity with a definite and ascertainable cost, *per se;* which is not subject to caprice; which has a historical development; which becomes fixed as other customs, and only changes by slow and almost imperceptible growth. That commodity is, as aforesaid, Labour-Power: and its value is determined as the foregoing quotation from Marx explains; which being resolved, is the labour time necessary for the production of the means of subsistence which it is the custom of the labourer to consume,—*socially-necessary labour.* For the present we will say, however, that the average value of labour-power is an average quantity of the means of subsistence which custom renders necessary to the labourer for the reproduction of his labour powers.

I may here, also make emphasis respecting this customary quantity of the means of subsistence. Of course the reader will understand that it includes such things as custom considers respectable and right that the labourer should enjoy; education for instance, and so much of other incidentals as he looks to provide himself with; and when these necessaries and comforts are once established as customary, it is difficult for the average wage to sink below that price for which these can be procured. Not only is this so with the absolute necessaries of life, but with any degree of comfort (Standard of Comfort), which the various grades of labourers attain to. This rigidity which custom gives to the price of labour-power, this minimum for which

* "Simple average labour," says Marx, "varies in different countries and at different times although in a particular society it is given."

the labourer will sell his services except in a temporary manner, constitutes the "iron law of wages."

After dissertations to prove that the profits of capitalists do not arise from the process of exchange, Marx proceeds as follows:—"We are therefore forced to the conclusion that the change originates [profits arise] in the use-value, as such, of the commodity, *i.e.*, its consumption. In order to be able to extract value from the consumption of a commodity, our friend, Moneybags, must be so lucky as to find within the sphere of circulation in the market, a commodity whose use-value possesses the peculiar property of being a source of value, whose actual consumption, therefore, is itself an embodiment of labour, and, consequently, a creation of value. The possessor of money does find on the market such a special commodity." But while the labourer sells at the cost of production, the commodity he sells, being itself the creator of value, produces for the capitalist more than that. Thus:—"If the total of the commodities required daily for the production of labour-power = A, and those required weekly = B, and those required quarterly = C, and so on, the daily average of these commodities

$$= \frac{365A + 52B + 4C + \text{etc.}}{365}$$

Suppose that in this mass of commodities requisite for the average day, there are embodied six hours of social labour, then there is incorporated daily in labour-power half a day's average social labour; in other words half a day's labour is requisite for the daily production of labour-power." In half a day, then, it is supposed, the labourer produces an equivalent value to that which he receives from the capitalist, and the labour-power

exerted for the remaining half-day, is in producing commodities for the capitalists' profit, viz., in producing surplus-value. That this is to a great extent what does happen, there is little doubt, for, as Marx explains, the reason why the labourer is obliged to sell the commodity, labour-power, at its cost of production, while the capitalist is able to realize an advance on that, is because he has no other commodity to employ as means of production, and must therefore sell labour-power to those who have.*

I have shown how the different commodities come to find their expression in money form; so that the foregoing process of the production of value and surplus-value appears on the surface as the purchase by the capitalist of so much labour-power, which, being embodied in material as a commodity, is sold at a price over and above its labour-cost, returning in money form, and the difference being profit to the capitalist. This profit is continually kept, by the competition of capitalists, to a certain ratio, the dead level being disturbed by various circumstances. Still this disturbance does not interfere with the fact that there is a general level; to use a familiar illustration, any more than the disturbance of the surface by the waves, denies the general level of the sea.

How money hides the real mechanism of industry from the labourer, and, indeed, also from the capitalist, will appear later on.

The condition of the labourer in regard to the means of subsistence bears the stamp of history—has a

* "Capital," Vol. 1, p. 146-7. However that this is not an all sufficient reason will be seen later on, but we will assume its all-sufficiency at present.

historic development. It ought to have occurred to Marx that his condition as to the means of production also bears the stamp of history.

Never, says Marx, has any school played more tricks with the word science than that of Proudhon. Well, as Hyndman has remarked, * between the schools of Marx and Proudhon there is no love lost. But surely to treat conditions of historic development as if they were indissolubly connected, to start investigation with that fixed opinion, is scarcely scientific carefulness.

A commodity is a "born leveller, and a cynic," says Marx, "it is always ready to exchange not only soul, but body, with any and every other commodity, be the same more repulsive than Meritornes herself. Indeed! Well, one would scarcely have thought it, since desiring equality, he nevertheless wished to see an end, once and for all, to that "bourgeois" † society which gave a commodity birth, viz, capitalists' society. But it is not true that commodities will interchange without preference; there is one to which they will all bow, the crowned one, GOLD. The possessor of Gold is virtually the possessor of commodities; the possessor of commodities is not always the virtual possessor of Gold.

Somewhere in "Capital" it is explained that, in speaking of the capitalists, those are referred to who do nothing for their income, relegating everything to superintendents, and whose sole occupation is to sit at

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* "Historical Basis of Socialism."

†The followers of Marx (socialists) are very fond of the word "bourgeois." In one publication, "Ethics of Socialism," by E. Belfort Bax, it occurs as many as five times on one page.

home and wait for Heaven to bring them their reward for indolence—I beg pardon, their "reward for abstinence." The remaining portion of the public (the large land-holder is included with the large Capitalist) are either wholly labourers, or combine that function, under the form of superintendence, etc., with the function of capitalist or land-holder.

As Marx has demonstrated that surplus-value (profits, rent, interest) arises through the purchase of labour-power, it is quite legitimate for him to conclude of those who combine the function of labourer and capitalist by becoming employers, that part of their reward is of the same nature as that of the capitalist proper; but, outside of this class, there are people who sell their labour, (the *ensemble* of capacities) upon which a profit must be made, and whose reward for service is equal to that of quite large employers. Between this class of workers and those of the common labourer there is a difference in reward of many hundreds per cent. Moreover, properly speaking, all must be classed as labourers except those who derive their income from the sole occupation of pointing to a bank book, and who leave even the functions attached to the process of lending money and land to agents, etc.

This wide difference in reward is accompanied by equally wide differences in standards of comfort, so that the difference in the value of the labour-power of the different grades of labourers, answers in every way to Marx's theory, viz., that it is measured or estimated by the value of the means of subsistence which the labourer consumes. Thus the managing director, for a few hours' application to duty, gets his thousands a year; the shop-keeper for walking about and directing

his employees, and the manufacturer for attending his office a few hours in the morning and issuing orders for the day, get their thousands and hundreds; the small manufacturers and small shop-keepers who have to buy as large a variety of articles as their bigger brethren, and, in many respects, exercise a keener judgment thereon in order to compete with them, besides doing much or all of the manual labour, receive a salary equal to about a tenth of the large manufacturers and large shop-keepers. There is the stock-broker with his thousands, and the skilled mechanic (whose occupation requires more application and concentration, if he wishes to be successful, than that of the stockbroker and the shopkeeper who act as overseers) who gets his fifties of pounds per annum, but not many of them; we further have the labourer, shop-assistant, clerk, etc., whose positions are responsible ones, requiring a good deal of tact and judgment, and they are gloriously rewarded by the tens of pounds per annum. Truly, as Adam Smith says, the dirtiness and hardship of employments tend to produce differences in the value of labour,—but the reward is in inverse ratio to the hardship.

We still have a difficulty left then, for we have not discovered the reason of the variety of rewards for the variety of kinds of labour. The school of Marx does not supply the information, but settles the intricate entanglements of reward for labour, and income from capital, at a blow, by the use of averages. The use of averages is very obvious, but its use may be abused without our knowing it. In this case Marx admits that the standard of comfort has a historic evolution; so also have its differences, as well as the propertyless

condition of the general labourer. On these two latter points, Marx's school would set society's historic estimate on one side, and evolve economic laws from its own collective cranium; insist that their legitimate theoretical use of averages (the treatment, for simplicity, of the standard of comfort as being uniform with every individual) is the proper method of practically dealing with society's units, and by the wisdom and power (don't forget the power) of the big, infallible majority, settle that which their analytic minds failed to unravel. This is the "reductio ad absurdum" of majority-rule—even as it has been said that Malthus is the "reductio ad absurdum" of political economy.

The "final utility" school can settle this matter by the rescue and patch-up of a dear old pedestal that had long since succumbed to the waves of criticism. From this pedestal they can proceed to talk as follows:—The reward of the labourer is in proportion to the scarcity of the capacity exercised by him, and subject, like other things, to supply and demand. Supply—and —demand is our first word, it is also our last; and the value of labour is estimated in commodities, or in one which is a formal expression of their relation. The relativity of commodities can only be estimated by their final utility. Final utility has a splendid meaning, you know; it answers to anything. Wind, for instance, has utility, but *final* utility is the cross between this species and the difficulty which society has in procuring the product; and this degree of difficulty of obtaining two products, society estimates without any knowledge, conscious or unconscious, of what contitutes the difficulty; then how can labour-time enter

into the estimation? So you see the *ne plus ultra* of economic magic is final utility.

However, one of the final utility exponents says that "fluid labour—and—sacrifice tends so to distribute itself, and so to shift the quantity indices, as to make the unitary marginal utility of every commodity directly proportional to the amount of work it contains." And here final utility reaches its "marginal" fort, and, by adopting its last defence, dies a natural death. You see when once supply and demand equalize the profits of the capitalists, and exercise their influence on the waves of wages, or make value "directly proportional to the work" the commodity contains, then supply and demand very kindly retire, quite satisfied, and for this reason,—that the iron law of wages, resting on the standard of comfort, says "Thus far and no farther shalt thou go." In admitting that the value of a commodity is directly proportional to the amount of work it contains, if the Jevonians mean anything definite by the term *work* at all, they admit the whole of Marx's position without the merit of having developed it, while they do not explain that which he avoids by his averages. But do they mean anything definite by "work"?

If I might be pardoned for one irregularity, I would like to say that I never knew anything which appeared to me so superlatively and pedantically stupid as the final utility theory of value.

We have now examined the theory of value as it is put forth by the champions of the two elements of society,—those who advocate property, and those who aspire to Socialism—both of which are straining every nerve, the one to *keep* hold of, the other to *get* hold of, the power of government, in order to make everyone

conform to the logic of their erroneous or incomplete theories. It must be admitted that the Socialistic element is rapidly gaining ground; and property is getting quite frightened, not to say desperate, at the appearance of the red spectre.

Just a word or two as to the position of Marx on the matter of exchange. According to his definition of exchange, a definition which for purposes of discussion may be quite in order, he is right when he says that surplus-value cannot thereby arise. But such a function as he defines lies in some metaphysical and quite unreal process which the commercial world knows nothing of. There is no such thing as the function of exchange which is not production; and the functions of circulation are the functions of exchange. However small a quantity it may be, labour is necessary to all commercial exchange. Even the exchange of stocks, or the advance of money, requires labour, and therefore the reward that accrues to the individual stock-broker, or the individual money-lender, is reward for labour, or at least our theory of value does not, as yet, warrant us in denying it. So with the individual merchant who buys up a cargo of tea, or other merchandise: his reward is partly for present services in taking risk, and in distributing the commodities in the various quantities and qualities required by the retailer—or being unfinished products, for the operators—and partly for the labour of ascertaining and noting the requirements and whereabouts of his customers. Moreover, if we suppose the merchant becomes an employer of labour, it does not require much commercial knowledge to see that his income increases very much in proportion as he does so, while his actual personal

labour becomes less. So of the shop-keeper, &c. The circulation of commodities, then, involves labour, and accordingly adds to their value, and, as the merchant performs a part of that necessary labour, his income or profits or wages is the remuneration which society allows him for the reproduction of himself, namely, for supplying what historic evolution has come to say is his necessary means of subsistence. Marx, therefore, I do not consider is warranted in saying, "If the transformation of merchant's money into capital is to be exp'ained otherwise than by the producers being cheated, a long series of intermediate steps would be necessary, which, at present, when the simple circulation of commodities forms our only assumption, are entirely wanting." I repeat, there is no such thing as a simple circulation of commodities, in a commercial sense, which is not part of the process of production. Immediately a commodity finishes its circulation, the process of the production of that commodity (that is, of increasing its value by additional labour-power) ceases—not before. It is, perhaps, difficult to draw the line, but there is, nevertheless, a time when the mere speculator and trust deviser, as distinct from the legitimate merchant, comes out in full relief. But of this character Marx is not speaking, and I therefore leave it out of consideration here.

"Let us now accompany the owner of some commodity," he says, "—say our old friend the weaver of linen—to the scene of action, the market. His twenty yards of linen has a definite price, £2. He exchanges it for the £2, and then, like a man of the good old stamp that he is, he parts with the £2 for a family Bible of the same price. The linen, which in his eyes is a mere commodity, a

depository of value, he alienates in exchange for gold, which is the linen's value-form, and this form he again parts with for another commodity, the Bible, which is destined to enter his house as an object of utility and of edification to its inmates. The exchange becomes an accomplished fact by two metamorphoses of opposite yet supplementary character,—the conversion of the commodity into money, and the reconversion of money into a commodity. The two phases of this metamorphosis are both of them distinct transactions of the weaver—selling, or the exchange of the commodity for money; buying, or the exchange of the money for commodity; and the unity of the two acts, selling in order to buy.

"The result of the whole transaction, as regards the weaver, is this, that instead of being in possession of the linen, he now has the Bible; instead of his original commodity, he now has another of the same value, but of different utility. In like manner he procures his other means of subsistence and means of production. From his point of view, the whole process effectuates nothing more than the exchange of the product of his labour for the product of some one else's, nothing more than an exchange of products."

It is easily seen, here, that the £2 value of the weaver's linen includes the cost of bringing it to market, and of every function necessary for the final transfer; for if it does not include that, so much labour of the weaver is lost to him. So that the point (quite in accordance with mathematical definition) of circulation, as distinct from production, is quite an imaginary one, and, as I have said before, has no real existence in commercial life. It is quite legitimate for Marx to shut off exchange, and show that surplus-

value arises in the use-value of labour-power, as such, but when this point of distinction, necessary for theorising, is utilised for showing that merchants' money is only transformed into capital by cheating, it is done by giving the term, exchange, a practical corollory which it did not possess in the theory. Commodities could not gather value purely by circulation dissociated from production, but it is in virtue of the inevitable productive element associated with it that value arises, consequently surplus-value and capital. If I were to imitate the attitude of Marx to Proudhon, I should say that this convenient use of the double meaning of terms is "playing such tricks with the word science" as is worthy of his school.—The great boast of the modern socialists is that they are not as were the socialists of old, whose socialism was the outcome of a commendable sentiment "with no scientific basis whatever," but that it now "rests upon an impregnable scientific and economic foundation which renders all attacks upon it utterly futile." Nevertheless I do not wish to underrate the importance of the theory which "Capital" developes, or to ignore the hard-headed thinking it displays.

But who is this Proudhon who "plays such tricks with the word science?"

CHAPTER III.

Proudhon and Value.

The point of progress we have made in our last chapter, by the aid of Capital, is that the cost of labour-power is a definite quantity of the means of subsistence, the requirement of such definite quantity having historic development; that it becomes fixed, as other customs, and only changes by a gradual process; that labour-power sells in the market at its cost of production; that the capitalist purchases this labour-power, and by virtue of the command he has over the means of production, causes it to be expended for a longer time than is necessary to reproduce the inevitable quantity of the means of subsistence, the difference between the amount required by the labourer, and that produced by him, going to the capitalist as his surplus-value. Competition keeps the profit of the capitalist to a certain general level (risks, etc., being allowed for), and we find that the basic principle underlying the value of commodities, and determining their relations in exchange, is the quantity of the means of subsistence required by the labourer to reproduce his labour-power.

The Capitalist's command over gold, credit, and machinery, enables him to stand between the labourer and his produce, and, after doling out the necessary sop to Cerberus, he demands the remainder as his toll for

finding employment. That—speaking of the mass—the labourer's means of subsistence is of this nature, there is little doubt, for should a commercial crisis occur, or if it is repeated too often, and the capitalist is unable to continue his usual contributions to the wages fund, well, as Byron says :—

"The mob
At last falls sick of imitating Job.
At first it grumbles, then it swears, and then,
Like David, flings smooth pebbles 'gainst a giant;
At last it takes to weapons, such as men
Snatch when despair makes human hearts less pliant
Then comes the 'tug of war.'"

VIVE LA COMMUNISMS

So far we have learned that value rests upon a tangible and firm basis of a definite and ascertainable cost, and this is the contribution to social economy which "Capital" places before the English reader.

The error of Marx lies in his cutting the Gordon Knot of the differences in Standard of Comfort, and by reducing them to the same general level and average, bringing his theory in line with his Utopian prepossessions.

He will have no tricks with the word science; but surely to take inference for certain truth, without subjecting that inference to experimentation, is not in accordance with methods scientific—Socialism cannot be subjected to the test of experiment without departing from those recognised rules of procedure. Isolated experiments cannot give the required verification, for they would lack that element, the presence of which is necessary for the establishment of the truth of the inference, to wit, the element of that national and international governmental force which Socialism sees is its

necessary counterpart—we must wait for the moments of society to verify our hypotheses; and in that case what becomes of the principle of forcing those hypotheses upon society by government? Such procedure is the assumption of the truth of what is only an inference, and which at best is but partially verified. Socialism, then, has dogmatism written on its threshold. It cannot verify its hypothesis without proceeding in a manner, the justification of which, at least, presupposes that hypothesis verified, and even were its truth unmistakably established, there remains the question of how far we ought to force our neighbours to do even that which is undoubtedly right. In this respect Communist-Anarchism stands on a surer footing; but like all forms of common ownership, it must, as I believe, fall to pieces; besides, I shall show them to be unnecessary.

Social science is different from all other sciences, and is distinguished from them by the nature of its material. Man is at once the operator and the subject of enquiry. Society and its units cannot be modelled and remodelled, decomposed and placed in affinity again, experimented upon and its effects destroyed, like the sculptor's clay, the crystal of a chemist's laboratory, or the germinating seeds of a botanist. Experiments may be conducted, it is true, such as M. Godin's Familistère de Guise, etc., but then they lack the element of universality, and this would alter the whole of the circumstances. The materials for such experiments, too, are drawn from the very *élite* of the workers and overseers; it is also voluntary, and the fact that its members may withdraw ensures a bond which no government could equal. But whether Socialism be State Socialism, or Free

Communism, or Communist-Anarchism, or Anarchist-Communism, universality is the element demanded, and, this is a case, where what is true of its units is not true of the whole. If we have the choice of either entering organisations (whether they be co-operative societies or trades-unions), or remaining outside as individualities, there is some prospect, where the field is open to competition, of ensuring conditions of equity; but where the position of neutrality is abolished and we have only the choice of either one organization or another, then officialism and corruption become engendered, and their unbearability sets up the movement of decomposition.

Proudhon was too much of a philosopher not to heed these elementary principles of scientific research and obvious facts. He loved freedom, and he was enthusiastic for the emancipation of the workmen. The interpretation of economic phenomena he declared to be Liberty and Wealth for all, and this by the operation of laws which are independent of governmental action,* and deep down in the spontaneous relations of society and the nature of things.† It must be admitted, however, that while

* "La valeur des produits et services doit se fixer, non par l'opinion ou l'estime du législateur, mais par l'équilibre général de la production, lequel ne dépend point du bon plaisir du gouvernement." "Solution du Problème Social," p. 176, by P. J. Proudhon.

† Before we go any farther, I may as well say that Proudhon commences his "What is Property?" by declaring "property is robbery." Lest the reader should be misled, by this phrase being carelessly quoted, into supposing he required the nationalisation or communal ownership of land or other goods, I will assure him that such was not the case, and that the phrase applies to the concrete form of property, the conditions under which it has been, and is at

Proudhon saw what Marx did not see, nevertheless the latter's theory of value, developed in detail as it is, is a most important and necessary addition to the complete theory.

Proudhon, assuming the position of Marx without demonstrating it,* proceeds to lay bare the enigmas of Political Economy and expose its crudities.

With the economists, he knew, and indeed every student of political economy knows, that the increased productiveness of labour lowers the value of the unitary product. But he also knew, what the economists failed to note with any approximation to precision, that if its *monetary value*, or exchange value, is lowered, the

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present held. He also says, "property is an institution of justice." This is in accordance with his proposition of the opposition between *fact* and *right* (Economical Contradictions, Chap. I.). Applied to property it runs thus :—"La propriété, en fait et en droit, est essentiellement contradictoire, et c'est par cette raison même qu'elle est quelque chose. En effet,

"La Propriété est le droit d'occupation : et en même temps le droit d'exclusion.

"La Propriété est le prix du travail; et la négation du travail.

"La Propriété est le produit spontané de la société ; et la dissolution de la société.

"La Propriété est une institution de justice ; et la propriété C'EST LE VOL." "Contradictions Economiques" tome ii., chap. xi.

*"When I say that every product is worth what it costs, I mean that every product is a collective unit, which, in a new form, groups a certain number of other products consumed in various quantities"—"Economical Contradictions" Chap. II. This, as will be seen more fully later on, is a very different thing from the "fraise de production" of the economists.

quantity of products is increased ;—while, as capitalists and associates of political economists, indeed as sellers, the *price* falls (the sole idea with which political economy is occupied), the *use-value increases*. Now what becomes of these increased use-values.

They do not go to the labourers, for as political economy complacently puts it, so far is it from being true that the labourers would thereby be enabled to consume more, that it is probable his wages (money is here the element of confusion) would in no long time be adjusted to the new value. That is, the labourers' wages would sink to such a price as would command only the same quantity as before. True! And Marx has invested this (to the Economists) vague and meaningless expression, with tangibility. We know why the labourers' wages become adjusted to the new value. It is because their standard of comfort is a definite *quantity* of the means of subsistence, and if such means of subsistence fall in money price, then competition forces money wages down proportionately. But I ask again, what of the increased quantity which the labourer produces but does not consume, since the adjustment of his wages to the new value allows him to purchase no more. Political Economy has no answer ; indeed, as has been pointed out, is not aware of the existence of a problem here—truly gold is the dust which blinds the economist.* Metaphysics invests a non-entity with the character of an entity ; political economy reverses the process and invests an entity with the character of a non-entity. It declares something to be nothing ; and British guns and bayonets are set to work if a body of producers should attempt to resist the

* Jevons

forcing of this absurdity upon them. It is with such conclusions as these that political economy defends the title to property, and with no better economic principles than these for support, so able a philosopher as Mr. Herbert Spencer would make an exception to his general denial of the right to make use of governmental force.

In our last chapter we found that the capitalist, by virtue of his command over the means of production, could appropriate the product of the labourers, less a definite quantity necessary to satisfy the demands of their standard of comfort. By the same process, and in virtue of the same position, he, with the landlord, appropriates any of the result of intensified production, with the exception of what little the labourer can manage to cause to stick on to that standard of comfort.* The process of appropriation, however, goes on quite independently of any theoretical knowledge of it by the capitalist. But it would seem that, as the rate of profit (that is the proportion between the amount of profit and the amount of capital employed) is fairly constant, the same competition which prevents it rising much above or below the general average, would also force the capitalist to deliver up the whole of the results of improved machinery to the landlord in as full a manner as Henry George supposes to be the case. But such is not the fact. The capitalist requires not only the return of the principal of his money, but sufficient to provide for *his* standard of comfort, which includes an accumulation of capital; that accumulation he must

* It will be observed that the term, labourer, is here used in a different inclusiveness from that which meant all workers, in which employers who combine the function of capitalist and labourers are included.

have, and does have. For instance we find him with £10,000; being a manufacturer, he finds that surplus-value has enabled him, within a certain period, and after payment of expenses, including those of his household, to accumulate £2,000, and he reasons thus: If with a capital of £10,000, I get a net profit of £2,000, now that I have an employed capital of £12,000, I ought to get £2,400, and he gets it, less any reduction which may be the result of the lowering of the general rate of profit, a reduction which is of slow process. As a matter of fact, the increase of Capital is out of all proportion to the growth of population; How, then, in the name of all that's economic, does the capitalist get his ever-increasing amount of profit, and how can he pay an advanced rent, but for the continual march of improvement in productive power? For no lowering of the *rate* of profit is likely to be permanent which is not the result of an increased *amount*.—It is an axiom of political economy that any increase or decrease in the rate of profit will cause capital to flow to or from those industries in which it respectively occurs, thus maintaining the general rate.

Although it may be the means of abstracting a share of the effects of intensified production from Capital, yet it cannot be true that rent is merely the result of the lowering of the margin of cultivation, as Ricardo teaches, for in that case (and if the only effect of increased productiveness is an alteration of the money expression of commodities)* it would come from labour, as a result of its diminished reward, and this Ricardo could not admit; for "In the same country double the quantity of labour may be required to produce a given quantity of necessaries at one time, than may be neces-

* See Mill's Principles. Book III., Ch. I.

sary at another and more distant time ; yet the labourers' reward may be very little diminished."

Rent and Interest, then, swallow up, the result of the ever increasing productiveness of labour. The means by which this is conveyed is a market in which the labourer sells his labour-power to the capitalist at its cost of production (the price which will secure him so much of the means of subsistence as custom allows) while the product of its expenditure realizes more, the money price of wages falling as the money price of commodities, securing the increase.

Thus the more the capitalist receives, the more he is able to command : with £10,000 he demands an accumulation of £2,000 ; with this addition to his principal he demands £2,400, and from this he delivers up to the landlord only a sum of such quantity as results from a diminished rate of profit. The Capitalist's standard of comfort, then, is unlike that of the labourer proper. Everything in laws economic tends to keep the latter's standard of comfort stationary, and it is only by Herculean efforts that he is able to raise it. On the other hand, the Capitalists' increase is at a compound rate, and unavoidably so, from the inherent nature of interest and the accumulation of Capital. "What means, then, this eternal babble of the economists about the improvidence of labourers, their idleness, their want of dignity, their ignorance, their debauchery, their early marriages, etc. ? All these vices and excesses are only the cloak of pauperism ; but the cause, the the original cause which holds four-fifths of the human race in disgrace—what is it ? "

Let us assume conditions which most of my readers will declare to be impossible of realisation. For the

present I will grant the impossibility, but I will remind the reader that they are none other than those assumed by Ricardo and other economists, *viz.*, the exchange of products against products, without the intervention of money, as money, and with Rent and Interest eliminated. Previous figures will suffice : labour being the measure of value, twenty labourers produce commodities which may be represented by the number, 100 ; another batch of twenty labourers produce 100 pairs of stockings in the same time : 100 pairs of stockings are worth 100 commodities. Suppose the whole produce of a country is represented by 100 pairs of stockings and 900 unspecified commodities. In time, by the use of improved machinery, 150 pairs of stockings can be produced by the same amount of labour as formerly produced only 100 pairs ; as I have shown, the economists go no farther than to say that these 150 pairs, having no more labour-power expended upon them, will still only exchange for 100 commodities, and they leave us quite in the dark as to what the owners of the 100 commodities do with the extra 50 pairs which come to them by the exchange. We have seen that, in reality, it passes from the labourers to capitalists and landlords, and to so many of the workers as are also partly capitalists, and in proportion as they are such and partake of their general character. But we now assume the elimination of these commercial functionaries. Nevertheless it is true that the product of a day's labour will only exchange for the product of a day's labour, as heretofore, although improved machinery may have doubled the quantity in one industry ; so that the 150 pairs of stockings, the result of fifty per cent. increased productiveness, under our

assumed conditions, will still only exchange for 100 commodities. But these 100 commodities, although the product of labour equal to twenty labourers, come from various sources, indeed from all producers, and the stockings given in exchange, enter into the labourers' consumption, according to our illustration, in the proportion of one-tenth of the whole, because we represented the stocking industry by the number 100, and other industries by 900; so that, as a result of the distribution of stockings among all the producers in every industry, every labourer, including the stocking-producers who hold back sufficient for use, can now consume fifty per cent. more stockings, or what is the same thing, get one-tenth of his means of subsistence fifty per cent. cheaper. The labourers' reward is inevitably under such conditions, increased by one-twentieth, and if we suppose the same amount of increased productiveness to have occurred in other industries, by the same process, the labourers' standard of comfort will be increased by fifty per cent. Nor can the question of supply and demand alter the conclusion, indeed it is part of the process sketched, and pre-supposed.

We may now put it in a formula, *That any increase in the productiveness of labour distributes its results amongst the whole of the labourers in exact proportion as the commodity, in the production of which the improvement occurs, enters into the labourers' consumption.*

An increased supply comes as the result of an anticipated extra demand; therefore (if, as the consequence of improved machinery, labourers are not withdrawn from the stocking industry), we may conclude that the consumers can do with more stockings per head or that population has increased; in the latter case, the

cheapness of stockings will enable the labourer to add some other article to his consumption, or increase his security for old age, etc.; in any case it would be impossible for him not to increase his comfort in the proportion mentioned.

The operation of the "iron law of wages," too, would defeat itself, for suppose the labourers still accept the same amount of commodities as wages, then all the forces of competition would conspire to make that applied increase of productive power still further cheapen the commodities into which they enter.

This process could not stop, for in the law of the production of values, no less than in other economic laws, there is an antinomy. As Proudhon says, "the economists have very clearly shown the double character of values, but what they have not made equally plain is its contradictory nature."

"Utility is the necessary condition of exchange; but take away exchange and utility vanishes;* these two things are indissolubly connected. Where, then, is the contradiction?

"Since all of us live only by labour and exchange, and grow richer as production and exchange increase, each of us produces as much useful value as possible, in order to increase by that amount his exchanges, and consequently his enjoyments. Well, the first effect, the inevitable effect, of the multiplication of values is to

*That is to say, every one produces a special commodity and more of it than he can individually use; he must, therefore, exchange it for other commodities; and if by any accident he is unable to make these exchanges, then he is virtually in possession of nothing.

LOWER them."* Thus the producer, while impelled to the multiplication of values, is obliged to yield up the result of his extra exertion, under actual conditions, to Interest and Rent receivers. Under the conditions our illustration supposes, it would distribute itself among the whole of the labourers.

Use-value and exchange-value are inversely proportional to each other. "Value is capricious, like liberty: it considers neither utility nor labour; on the contrary, it seems that, in the ordinary course of affairs and exceptional derangements aside, the most useful objects are those which are sold at the lowest price; in other words, that it is just that the men who perform the most attractive labour should be the best rewarded, while those whose tasks demand the most exertion are paid the least." This results from the antinomical nature of value, and from society's evolutionary struggle to find the synthesis, or, to produce what Proudhon calls its constituted form.

Let Proudhon analyze the existing expression of value.

"Where there is liberty, production is necessarily undetermined, either in quantity or in quality; so that from the point of view of economic progress, as from that of the relation of consumers, valuation always is an arbitrary matter, and the price of merchandise will ever fluctuate. Suppose for a moment that all producers should sell at a fixed price; there would be some

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* "System of Economical Contradictions" Ch. IX., P. 78, Proudhon (translation).—Professor Jevons strikes out the word value from his terminology, because it is contradictory; Proudhon adopts it for the same reason.

who, producing at less cost and in better quality, would get much, while others would get nothing. In evern way equilibrium would be destroyed. Do you wish, iy order to prevent business stagnation, to limit production strictly to the necessary amount? That would be a violation of liberty: for, in depriving me of the power of choice, you condemn me to pay the highest price; you destroy competition, the sole guarantee of cheapness, and encourage smuggling. In this way, to avoid commercial absolutism, you would rush into administrative absolutism; to create equality, you would destroy liberty, which is to deny equality itself. Would you group producers in a single workshop (supposing you to possess the secret)? That again does not suffice: it would be necessary also to group consumers in a common household, whereby you would abandon the point. We are not to abolish the idea of value, which is as impossible as to abolish labour, but to determine it; we are not to kill individual liberty, but to socialize it. Now it is proved that it is the free will of man that gives rise to the opposition between value in use and value in exchange: how reconcile this opposition while free will exists? And how sacrifice the latter without sacrificing man?

"Then, from the very fact that I, as a free purchaser, am judge of my own wants, judge of the fitness of the object, judge of the price I wish to pay, and that you on the other hand, as a free producer, control the means of production, and consequently have power to reduce your expenses, absolutism forces itself forward as an element of value, and causes it to oscillate between utility and opinion.

"But this oscillation, clearly pointed out by the

economists, is but the effect of a contradiction which, repeating itself on a vast scale, engenders the most unexpected phenomena. Three years of fertility in certain provinces of Russia are a public calamity, just as, in our vineyards, three years of abundance are a calamity to the wine grower. I know well that the economists attribute this distress to the lack of markets; wherefore this question of markets is an important one with them. Unfortunately the theory of markets, like that of emigration with which they attempted to meet Malthus, is a begging of the question. The states having the largest markets are as subject to over-production as the most isolated countries: where are high and low prices better known than in the stock exchanges of Paris and London?

"From the oscillation of value and the irregular effects resulting therefrom, the socialists and the economists, each in their own way, have reasoned to opposite, but equally false, conclusions: the former have made it a text for the slander of political economy and its exclusion from social science; the latter, for the denial of all possibility of reconciliation, and the affirmation of the incommensurability of values, and consequently the inequality of fortunes, as an absolute law of commerce.

"I say that both parties are equally in error.

"The contradictory idea of value, so clearly exhibited by the inevitable distinction between useful value and value in exchange, does not arise from a false mental perception, or from a vicious terminology, or from any practical error; it lies deep in the nature of things, and forces itself upon the mind as a general form of thought—that is, as a category. Now, as the idea of

value is the point of departure of political economy, it follows that all the elements of the science—I use the word science in anticipation—are contradictory in themselves and opposed to each other: so truly is this the case that on every question the economist finds himself continually placed between an affirmation and a negation alike irrefutable.* ANTINOMY, in fine, to use a word sanctioned by modern philosophy, is the essential characteristic of political economy; that is to say, it is at once its death-sentence and its justification.

"Antinomy, literally *conter-law*, means opposition in principle or antagonism in relation." †

I must impress upon the reader the necessity of a thorough grasp of the thoughts expressed by this quotation, and the method employed; the antinomical method of analysis, once understood, will save him from many a one-sided position. In the first chapter of this work, I have treated the subject of Property and Communism by antinomy, that is, by giving them an historic position of thesis and anti-thesis, of opposite facts.

The economists, after simply noting that there is a value in use, have banished it from their thoughts, and declared exchange-value to be the only form which political economy has any right to acknowledge; thus they have missed one of the essential elements of the creation and development of values. The socialists, seeing the importance of use-value and the denial of its consumption by the labourers through the principle of exchange, would forbid us longer to buy and sell; and

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* Let the reader particularly note this.

† Ibid, 81-83.

it is with these two crudities that the two great divisions of society to-day are respectively occupied, each one endeavouring, by all and any means, to suppress the other. It is a vain attempt; we must find a method of "rendering all useful values and exchangeable values one and the same thing, that is, all useful values equally exchangeable and all exchange values equally useful."

"*Supply* and *demand*, held up as the sole regulators of value, are nothing more than two ceremonial forms serving to bring useful value and exchangeable value face to face, and to provoke their reconciliation. They are the two electric poles whose connection must produce the economical phenomenon of affinity called EXCHANGE." *

Supply and demand, then, are the two forces which do but serve to bring values in connection and determine the quantities in which the various products should be produced; but that which determines their proportional value, Proudhon declares to be LABOUR differing in quantity and quality with the producer. "It is labour, labour alone that produces all the elements of wealth, and that combines them to their last molecules according to a law of certain but variable proportionality."

"Say," he says, "and the economists who have succeeded him have observed that, labour being itself an object of valuation, a species of merchandise indeed like any other, to take it as the principal and efficient cause of value is to reason in a vicious circle. Therefore, they conclude, it is necessary to fall back on scarcity and opinion.

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* Ibid, 89.

"These economists, if they will allow me to say it, herein have shown themselves wonderfully careless. Labour is said to have value, not as merchandise itself, but in view of the values supposed to be contained in it potentially. The value of labour is a figurative expression, an anticipation of effect from cause."

Observe: society, whatever the economists may say to the contrary, comes to look upon labour as having value, in view of values supposed to be contained in it potentially. How, then, does it come to fix its estimate of these potential values of labour at a certain minimum or point? By a law which Proudhon was the first to seize the importance of—the law of the proportionality of values; the law by which labour combines all the elements of wealth, to their last molecules, according to a certain, but variable proportionality; the law by which the cheapness of commodities is in accordance with society's estimate of their necessity, their use-value, and by which, the process, tending to bring them all into general consumption, also tends to equalize the standard of comfort. This, acting and reacting through the operation of the antithetical principle of value, and including them all in the necessities of life (standard of comfort), reduces them to a value, as compared with other commodities, in exact proportion to the amount of labour-*time* devoted to their production. This law not only confirms the theory of value as developed by Marx, and as set forth in our last chapter, but shows how economic tendencies contain the functional elements necessary for the consummation of all that Marx could desire in the shape of equality, and without resortin to that administrative absolutism and sup-

pression of liberty which he would fly to for the overthrow of economic absolutism.

It should be noted that Proudhon does not speak of labour as a value-creator, in the same equivocal manner as the economists, who, as I have pointed out, mean now labour-time, and now qualitative labour, but that definiteness which is shown in the equal value of the product of ten hours' work in one industry, to that of the same time in another. Exceptional circumstances aside, of course, but as a general law, it will be seen that the value of commodities are in proportion to the labour-time they cost society. That the full operation of this law is impeded and diverted in many ways and by many customs, and its consequences destroyed, and in place of beneficial results, dire results ensue, is not a denial of its existence.

Let Proudhon speak of it.

I will first remind the reader, again, however, of the contradiction of value in use and value in exchange, and the diminution of the latter with the increase of the former; and of the position of the economists, who failed to recognise its importance as an instrument for preventing individuals from appropriating so much of society's productive genius and other gifts, or in other words, of spreading the result of increased productiveness among all the units. Indeed, seeing it is a fact that the rapid improvement in machinery did not, and does not, increase the reward of the labourer to any appreciable extent, and insisting upon the incommensurability of values, they exclaimed, "Oh! si les damnés pouvaient brûler l'enfer!"

The socialists, demanding that the labourer shall not be damned, are marshalling their forces for the institu-

tion of that concentration of force and officialism which is called State Socialism—only another way of securing that damnation they wish to prevent.

But how does Proudhon treat the matter?

Speaking collectively, and not overlooking causes which produce in society, "classes which *thrive* and classes which *perish*; labourers paid twice, thrice, a hundred times over, and labourers continually out of pocket," he says:—

"Prometheus [that is society] devotes, on an average, ten hours a day to labour, seven to rest, and seven to pleasure. In order to gather from his toil the most useful fruit, Prometheus notes the time and trouble that each object of his consumption costs him. Only experience can teach him this, and this experience lasts throughout his life. While labouring and producing, then, Prometheus is subject to an infinitude of disappointments. But, as a final result, the more he labours, the greater is his well-being and the more idealized is his luxury; the further he extends his conquest over Nature, the more strongly he fortifies within him the principle of life and intelligence in the exercise of which he alone finds happiness; till finally, the early education of the labourer completed and order introduced into his occupations, to labour, with him, is no longer to suffer,—it is to live, to enjoy. . . .

"Prometheus knows that such a product costs an hour's labour, such another a day's, a week's, a year's; he knows at the same time that all these products, arranged according to their cost, form the progression of his wealth. First, then, he will assure his existence by providing himself with the least costly, and consequently most necessary, things; then, as fast

as his position becomes secure, he will look forward to articles of luxury, proceeding always, if he is wise, according to the natural position of each article in the scale of prices. . . .

"Imagine ourselves living in the day after the birth of man at the beginning of civilization: is it not true that the industries originally the simplest, those which require the least preparation and expense, were the following: *gathering*, *pasturage*, *hunting*, *and fishing*, which were followed long afterwards by agriculture? . . .

"Thus the very nature of things, as well as his own wants, indicate to the labourer the order in which he should effect the production of the values that make up his well-being. Our law of proportionality, then, is at once physical and logical, objective and subjective; it has the highest degree of certainty. Let us pursue the application.

"Of all the products of labour, none perhaps has cost longer and more patient efforts than the calendar. Nevertheless, there is none the enjoyment of which can now be procured more cheaply, and which, consequently, by our own definition, has become more necessary. How, then, shall we explain this change? Why has the calendar, so useless to the early hordes, who only needed the alternation of night and day, as of winter and summer, become at last so indispensable, so inexpensive, so perfect? For, by a marvellous harmony in social economy, all these adjectives are interconvertible. How account, in short, by our law of proportion, for the variability of the value of the calendar?

"In order that the labour necessary to the production of the calendar might be performed, might be possible,

man had to find means of gaining time from his early occupations and from those which immediately followed them. In other words, these industries had to become more productive, or less costly than they were at the beginning. . . .

"Suppose, then, that suddenly, by a fortunate combination of efforts, by the division of labour, by the use of some machine, by better management of natural resources—in short, by his industry—Prometheus finds a way of producing in one day as much of a certain object as he formerly produced in ten: what will follow? The product will change its position in the table of the elements of wealth; its power of affinity for other products, so to speak, being increased, its relative value will be proportionally diminished, and instead of being quoted at one hundred, it will thereafter be quoted only at ten. But this value will still and always be none the less accurately determined, and it will still be labour alone which will fix the degree of its importance. Thus value varies, and the law of value is unchangeable: further, if value is susceptible of variation, it is because is governed by a law whose principle is essentially inconstant—namely, labour measured in time."*

Constituted values, then, are those which society has come to look upon as necessary to its existence, consequently which it has found the means of supplying in ample proportion to its general wealth and requirements, and which, derangements of a transitory nature aside, are produced and compared with other values of a like nature (constituted) in exact proportion to the labour-time expended upon them, and produced by

* Ibid 98-100.

labourers within the sphere of the general standard of comfort; that is to say, this class of labourers it is whose labour-power contributes the greater part of the value. Public opinion no longer exaggerates their value in virtue of their scarcity; they are articles of general consumption and within the reach of the average worker—truly did Marx say, "a commodity is a born leveller," for all commodities tend to this constituted form.

Our theory of value is complete: from the time when Adam Smith impressed the world with the economic importance of labour, there could be no rest in this sphere of thought until the theory was brought to satisfy every phase of practical life. Moreover, the necessity for its completion has once more asserted itself by the degree of the development of civilization. The political sanction of the right to labour, to use, and to exchange has been granted in sufficient fullness to allow the positing of all the economic moments. Liberty, political and economic, must perfect itself, or develop into a license which may threaten the very existence of society.

We have yet to discover the path which shall lead us out from all impediments to the operation and full effects of the law of the proportionality of values; and that path must be free from all compromise with immorality or injustice; it must not appeal to, or impose, self-sacrifice of individuality in any form; it must satisfy alike the egoism of the capitalist and of the labourer, for that is the principle which, in the end, always proves itself the strongest, at any rate it is much the safest to calculate upon.

By methods wholly different, both Marx and

Proudhon show that society comes to estimate the value of commodities by the amount of labour-time expended upon them—the former by showing the definite character of the labourer's means of subsistence (standard of comfort), and how this definite quantity, into which an element, historic and moral, enters, comes to express itself in an iron law of wages, the foundation upon which competition works. Labour-power is the collective form in which these definite quantities are purchased by the capitalist, and it is sold by the labourers at a price which will repurchase those quantities, and no more. By its expenditure however it can produce more than the quantity consumed for its support, and this extra quantity is the capitalist's reward or profit.

Proudhon goes further than Marx, and demonstrates that society uses those goods for general consumption which cost the least time to procure, and that they are gradually brought within, or towards, the sphere and reach of the average labourer as machinery and other improvements are used in their production; that the proportion of consumption of each to the whole is in accordance with the time necessary to their production. This movement, which every economic phase intensifies, and which the present cosmopolitan commerciality and universal use of machinery should demonstrate with startling effect, is destined, as Proudhon's great work "System of Economical Contradictions" points out in a most masterly manner, to bring all values to their constituted form, and inaugurate a reign of order and equality which shall outshine all Utopias, and produce a well-being, Liberty, and exact Justice, which man, at present, cannot contemplate.

This tendency, notwithstanding all obstructions, economic and of more artificial character, is evidenced by the movement among labourers to a nearer approach to uniformity of wage.

The law of the proportionality of values is the law which—once given free scope, instead of being cramped and limited as it now is, and only forcing itself forward in spite of difficulties—must, with these removed by a simple process which the next two chapters will bring under the reader's notice, equalize the standard of comfort with marvellous rapidity. It is the law of equality itself and it lies deep in the conditions of present day industry. It results from the contradiction of value in use and value in exchange; from the march of machinery and invention and education, etc. No wonder the economist left us in mid stream, and failed to apply the principle of diminishing price with increased productiveness.

Equality, then is no longer an *à priori* argument, but an *à posteriori* one; no longer a vague Utopian aspiration, but an inevitable consequence of demonstrated and acknowledged economic laws.

"The proposition, *labour is the principle of the proportionality of values*, not only is true, resulting as it does from an irrefutable analysis, but it is the object of progress, the condition and form of social well-being, the beginning and end of political economy. From this proposition and its corollaries, *every product is worth what it costs, and products are bought with products*, follows the dogma of the equality of conditions.

"The idea of value socially constituted, or of proportionality of values, serves to explain further; (*a*) how a mechanical invention, notwithstanding the privilege which it temporarily creates and the disturbances which

it occasions, always produces in the end a general amelioration ; (*b*) how the value of an economical process to its discoverer can never equal the profit which it realizes for society ; (*c*) how, by a series of oscillations between supply and demand, the value of every product constantly seeks a level with cost and with the needs of consumption, and consequently tends to establish itself in a fixed and positive manner ; (*d*) how, collective production continually increasing the amount of consumable things, and the day's work constantly obtaining higher and higher pay, labour must leave an excess for each producer ; (*e*) how the amount of work to be done, instead of being diminished by industrial progress, ever increases in both quantity and quality,—that is in intensity and difficulty,—in all branches of industry ; (*f*) how social value continually eliminates fictitious values—in other words, how industry effects the socialization of capital and property ; (*g*) finally, how the distribution of products, growing in regularity with the strength of the mutual guarantee resulting from the constitution of value, pushes society onward to equality of conditions and fortunes.

"Finally, the theory of the successive constitution of all commercial values, implying the infinite progress of labour, wealth, and well-being, the object of society, from the economic point of view, is revealed to us: to produce incessantly, with the least possible amount of labour for each product, the greatest possible quantity and variety of values, in such a way as to realize, for each individual, the greatest amount of physical, moral, and intellectual well-being, and, for the race, the highest perfection and infinite glory."*

* Ibid, p. 127.

CHAPTER IV.

Impediments to the Law of the Proportionality of Values.

We have seen that the law of proportionality is the general tendency of all commodities to be included in general consumption; by which the standard of comfort must eventually be equalized; and consequently by which labour-time in every industry will be equally rewarded; for as Marx has demonstrated, the value of labour-power depends upon the standard of comfort. Increased productiveness, that is, a continually increasing yield of products to the same amount of labour, is a necessity of its operation; society adding to its general consumption, products, as they cost less and less labour.

But if this is true of society as a whole, it is less true of the average producer, for let wealth increase as quickly as it will, and if the produce of a country increase fourfold, the labourer will be able to add no more coats or shoes to his consumption, and no more or better food. Such is the interpretation of facts by Ricardo, and because it is true of to-day, economists tacitly agree that it must go on for ever, although they are afraid to conclude quite frankly according to their principles. But it cannot go on for ever, and not

for long; for the labourers are crying out against the injustice of it, and their cry must be understood. I say understood: one great excuse which is put forth for the present inequality of conditions, is that it gives leisure to many for the cultivation of the sciences, of knowledge, of the arts. Never fear for your sciences, and arts; when the law of proportionality is afforded an opportunity of fully expressing itself, we shall find the sciences less enshrouded with pedantic mediocrity: increased productivity must precede a rise in the standard of comfort, and labour must leave an excess for every individual; then those will be called to the sciences and arts who are capacitated for them, and not as now in virtue of their social position. Moreover, what is the science into which all others converge; which includes all others, and whose final and aggregate truth is their great meaning? It is the Social Science. Yet when the labourer, long suffering as he is, asks for a light, asks the leisured scientist philosophers, leaders, for a solution of the economic difficulties, they can give no answer, and do but exhort to patience under suffering, and with all kinds of prejudices and compromises, which leisure and culture should have dispelled from their mentalities, implore their respect for the sacred rights of property and the laws which they have framed for its protection. I confess, I think such patience is well nigh exhausted, although I do not see what the labourers are to gain by "slinging smooth pebbles 'gainst a giant," except, perhaps the negative advantage of sweeping away the prejudice and insolence of a crowd of wealthy fools, who sneer and pooh-pooh at the tragic throes of historic crises.

"Eclecticism, the golden mean, compromise with heaven or with morality; is it always to be the same philosophy then? True science is repugnant to such arrangements. All invested capital must return to the producer in the form of interest; all labour must leave a surplus, all wages be equal to product. Under the protection of these laws, society continually realizes, by the greatest variety of production, the highest possible degree of welfare. These laws are absolute; to violate them is to wound, to mutilate society. Capital, accordingly, which after all is nothing but accumulated labour, is inviolable. But, on the other hand, the tendency to equality is no less imperative; it is manifested at each economic phase with increasing energy and an invincible authority. Therefore you must satisfy labour and justice at once; you must give to the former guarantees more and more real, and secure the latter without concession or ambiguity.

"Instead of that, you know nothing but the continual substitution of the good pleasure of the prince for your theories, the arrest of the course of economic law by arbitrary power, and under the pretext of equity, the deception of the wage worker and the monopolist alike! Your liberty is but a half liberty, your justice but a half justice, and all your wisdom consists in those middle terms whose iniquity is always twofold, since they justify the pretensions of neither one party nor the other! No, such cannot be the science which you have promised us, and which, by unveiling for us the secrets of the production and consumption of wealth, must unequivocally solve the social antinomies. Your semi-liberal doctrine is the code of despotism, and shows that you are powerless to advance as well as ashamed to retreat.

"If society, pledged by its economic antecedents, can never retrace its steps, if, until the arrival of the universal equation, monopoly must be maintained in its possession,—no change is possible in the laying of taxes: only there is a contradiction here, which, like every other must be pushed till exhausted. Have, then the courage of your opinions—respect for wealth and no pity for the poor, whom the God of monopoly has condemned. The less the hireling has wherewith to live, the more he must pay: *qui minus habet, etiam quod habet auferetur ab eo.* This is necessary, this is inevitable; in it lies the safety of society."

Thus Proudhon addresses the economists of his time in regard to the compromise of their economic conclusions by such proposals as progressive taxation, etc. Subsequent revolutionary events proved that not only were such proposals repugnant to social science, but, by their ineffectiveness, fatal to social order also.

All revolutions, even though apparently political in character, have their raison d'etre in the material condition of the masses. In the case of the Wat Tyler insurrection and the rising of the "Men of Kent," it was the resistance of comparatively free men to the attempt to reduce them to serfs by depriving them o the means of free men, in conjunction with the impoverished state of the lower grades of labourers; in the case of the French Revolution it was the rising of men driven to despair and desperation, poverty and madness, by the insolence of a corrupt court and an unscrupulous administration, not forgetting the economic period which made that possible.

Now the conditions which are producing the world-wide labour-ferment to-day, with all its prospects of

restrictive legislation, are conditions which result from the frequently occurring periods of panics and crises, and consequently the discharge of workmen and a continual residuum of labour.

Let us further examine these conditions.

In order to do so, I shall go back to Political economy and be guided by a criticism of it which Mr. Hawley in a work, "Capital and Population" has the merit of being the author of.

Mill has defined Capital as that part of wealth which is *destined* for productive consumption, and also that which is at present employed. This division of capital is a most important conception, but like many other distinctions of the economists, they appear to have left it for someone else to apply and follow up the consequences of. Mr. Hawley, it is true, is very careful to assure his readers that he is quite an orthodox economist, and he appears to me to be quite timid at the consequences of his criticism, for it is the reversion of the principle which Mr. Mill stakes his economic conclusions upon.

At page 10, then, Hawley states, and afterwards clearly proves, that the division of capital into two such portions, although distinctly recognised by all economists, as far as he knows, none have realised its importance, or consistently observed it in their arguments. He shows that in using the word Capital in their arguments, they mean at one time that which is employed, and at another, that which is employed and that which is destined to become employed.

The former, that which is employed, he calls "active stock;" the latter, that which is destined for employment, he calls "dead stock."

I don't think the division of stock into "dead" and "active" can be so clearly defined, or that it covers the changes so completely, as Mr. Hawley supposes, and without a term which expresses an equivocal stage, it is, like Mr. Mill's general definition of capital, rather vague. Yet it points to distinctions which do actually occur, as can be seen by the following quotation from the work mentioned. "Nearly all products are at first 'dead' stock." "The rate of profit itself depends upon the amount of dead stock, and any increase of dead stock, other things remaining the same, lowers its money value without affecting wages. . . . Proportional wages rise at the expense of profit. But if an increase of dead stock lowers profits, and a decrease of profit discourages the conversion of dead stock into active stock, [that is, discourages the employment of capital] it follows that the wages fund will be the smallest when dead stock is relatively most abundant,* and when the rate of proportional wages is the highest . . . The amount of dead stock that will become active, depends upon the amount of dead stock itself, and varies inversely with it."

The finished product of one industry is the raw material of another, and what is meant in the above quotation by dead stock, is the finished product of each industry as it is on the market, together with that portion of wealth which is more properly covered by Mills, "destined to become employed." But in the case of the unfinished product on the market, it is in a stage that may be termed *equivocal;* and is, with the merchant, more or less active and in the course of having

* This is a point for Malthusians to ponder over.

value added to it by the labour required for its transportation from one place to another; nevertheless, it is this merchant's stock which governs prices considerably. If it is comparatively large, the merchants who must liquidate their debts, meet their liabilities with cash, must sell, and prices are lowered in proportion to the inability to realize; if it is small, then prices advance. In the former case, merchants unable to find a market at normal prices, will stay their orders to manufacturers; they, the latter, lower prices in order to keep up the sale, but all to no purpose; the more they supply the more lasting and intense is the depression of prices, and the inevitable results; prices are lowered to the minimum, that is, *wages bearing a larger proportionality than the general ratio to profit*, capital ceases to invest, the wages fund is diminished, hands are discharged, the crash has come; we are in the midst of a commercial crisis. And this because we have abstained too much; the quantity of goods is beyond effectual demand; labour has left a disproportionate excess, production proceeding out of ratio with consumption.

The cause of scarcity of provisions among the labourers is their general superabundance; food and clothing to spare are in existence but cannot be distributed. How does this curious phenomenon of modern civilization come upon us? Political economy, being largely, and, as I think, important as it is, quite unduly influenced by the "Essay on Population," discovered no flaw in it or their theories, although the first step of Malthus is a begging of the question; so they commenced to blame capitalists for engaging in "unproductive consumption," and the labourers for being improvident. Produce more and consume less,

they say, while, given present conditions, the only way out of a depression is to consume more and produce less. Indeed, this is exactly how we do evolve prosperity, or brisk trade, from bad times.

Idle capital in the hands of the capitalists, Mill says, is the same thing to the labourers as if it did not exist. Herein Mill shows himself woefully negligent of the most elementary principles of commercial speculation. *Capitalists* know better. They know that idle capital means depressed prices; and depressed prices means a low rate of profit (that the money value of commodities has deteriorated more than the money value of wages); and that this means the slow movement of money. The increased value of the wages of those still in employment, therefore, and the consumption of those out of employment, (the means of which must be found somewhere and somehow,) with other means of "unproductive consumption" induced by low prices, gradually clears the superabundance or disproportionality of products away.

Trade depressions are characterized by the slow movement of money. Instead of a certain quantity of money effecting its normal number of exchanges, it effects less. Prosperity means a quick money movement, and a quick turnover of capital; then capitalists everywhere, from the least to the greatest, increase their operations, for a sharp turnover is equal to a large addition of capital. But under such conditions, the wages of those who had remained in employment during the depression, are now, in proportion to prices, less than before prosperity set in, else how is the enhanced profit of the capitalist made, the very thing which induces him to produce so energetically? Consequently a greater proportion of

accumulation to production goes on where they are employed, even if over-time or piece-work does not obtain. Then, the large army of unemployed, instead of consuming without producing, are producing more than they consume; everywhere the commodity capital is being increased. But, although at the commencement of this prosperity, money was relatively abundant, owing to its quick return by consumers and the number of exchanges it would effect, consequent upon the sharp demand for commodities, still, the great increase of the commodity capital and of commercial operations must gradually, but except to some, say bankers, etc., imperceptibly, swallow it up. This movement is at a rate which is inevitably faster than the expenditure of money for standard-of-comfort consumption. As a consequence, merchants and shopkeepers all at once begin to find themselves excessively supplied; they cease their mutual operations; one of the ordinary and most important channels of money's circulation is impeded, and the effect shows itself in most unexpected quarters. All the industrial princes are startled. The public requires the same amount of goods, but no more, or at least their incomes will admit of no more consumption; besides, there is already a perception of that income being lessened. Money now performs less and less of its usual functions, and this is called a scarcity of money, the effect being taken for the cause. The fact is, shortly, that the quantity of products is being continually augmented, and a gradual process of increasing disproportionality of them to the standard-of-comfort consumption, soon finds its expression in the slow movement of merchants' transactions; this reacting and vibrating along the whole of the exceedingly sensitive industria

organism, until everything is paralyzed. A panic, through a scarcity of gold at the Bank, is, of course, one of the links in this chain of circumstances, but I can only look upon such scarcity of gold there, and its consequences, as one of the effects of such causes as I have endeavoured to point out, and not as a primary cause itself. Without the explanation I have given, no one has as yet been able to say how it is that, by the present means of economy by cheques, bills of exchange, etc., a market is not able to obtain and hold a quantity of money sufficient to carry on its exchanges when the increasing volume of trade in times of prosperity demands it. Those who say it is due to scarcity of money, and wish to increase the quantity, fly in the face of their own theory of the possibility of a market holding as much as required. It is not the want of present money, for the markets can hold no more of it on an average. It would also be impossible to increase that average to provide for emergencies; and even if we could, it would but push the time of collapse a little farther ahead. What we want is an increased propro_tion of consumption to production, but not an increase of expense in production—two different things as I shall show.

Under our present form of production, no amount of reserve of precious metal can prevent the result our analysis has disclosed.

To the readers of this volume who have paid special attention to the last two chapters, (perhaps for our present demonstration, Chapter II. is the more important,) the accumulation of merchants' stock out of proportion to money that flows thereto, will not be difficult to understand, but will force itself upon the mind inevitably.

From the time of the primitive hordes till now, society has daily increased the yield to labour. There have been times of devolution, it is true, but speaking generally, each day's labour—by improvements in production—has yielded an increasing quantity of products, is greater than that of the previous day; but the standard of comfort does not increase at any such like rate; that is, the standard of comfort of the labourers changes but by very gradual and almost imperceptible growth; in comparison to the increased yield it remains the same. It follows, then, that society, as a whole, is continually and quite unconsciously creating its capital. Not only this, however, but the increased consumption that would take place is prevented by a mechanism which puts into the hands of the capitalists and landlords, all but the smallest proportion of the ever-augmenting yield and not allowed to return in the manner our assumed economic conditions would admit of.

We know the process: the labourer receives wages which will purchase sufficient of the product of the market to satisfy the needs which he thinks are imperative to his existence. With this quantity he remains, or is obliged, by force of circumstances, to remain satisfied, while he always produces commodities sufficient to supply the capitalist and landlord, over and above this amount. Also the march of invention and other productive economies, do but augment the rewards of his masters, who claim interest, not only upon the principal originally invested, but upon the capital which his ownership of the means of production, etc., makes it possible for him to obtain from the product more than that which supplies him with that interest

upon original capital, that is, he claims interest upon his accumulation—an amount of capital the acquirement of which is not at all expressed by "abstinence."

This retention of products by capitalists works smoothly enough by their interchanges, so long as it is in proportion to the increased demands of their households, or of new machinery, etc., to meet the requirements of the growth of population, but immediately it goes beyond that, the rapidity of their circulation is slackened, and with it the circulation of money. The re-adjustment comes, and can only come, from a decrease of productive consumption greater than the decrease of unproductive.

As I write the brief circle of commercial prosperity which we have had this last two years or a little more, has nearly run its course; big events are happening in the commercial world and what is next to come, no one knows. Shade of Malthus! And this is because production (accumulation) has out-run population.

The great phenomenal impediment to the progress of the law of the proportionality of value, that is, its efficient distributive effects, is the combination of conditions which admit of the taking of interest by the capitalists, conditions in which the means of production and distribution are owned by the few, and in which the manual labourer has nothing to offer the market but his labour-power, a commodity, as Marx says, that won't keep, for it must, under present conditions, find a buyer quickly, or perish.

I do not wish the reader, here, to pronounce upon the justice or not of the fact, or whether the principle, or function, of Interest is immortal or transitional, I merely wish to say that the conclusion results from ou

examination of the conditions of present industry—and we have proved it from the combined aut hority of the schools of orthodox political economy, Marx, and Proudhon—that the necessary conditions of Interest are those very same which deprive the labourer of the benefits of intensified production, and which, thereby obstruct the full operation of the law of proportionality in exact fullness as the capitalists so appropriates such collective benefits.

Society still chooses its articles of consumption by the proportion of labour contained therein, but the whole effect, or nearly the whole effect, as regards the labourers, is nullified by the reduction of money wages as the prices of commodities fall, and in such proportions, too, as caused Ricardo to declare that increased productiveness does not add more coats to the backs of the labourers. It is only this reduction of wages with prices that can maintain the present inequality of fortunes, and pour such wealth into the laps of individual capitalists and landlords for so comparatively little services. This does not deny the truth of what a few pages back I endeavoured to maintain, viz., that the reduction of prices increases proportional or real wages, for here I refer to the proportion of the general rate of real wages to prices, and there I am discussing the fluctuations of that proportion and the disturbances of industry.

Such disturbances and fluctuations, also, are the result of, and are altogether bound up with, the conditions under which Interest arises, and not at all indissolubly connected with individual production and exchange.

But what is the political result of the ever-recurring panics, crises, depressions? To say nothing of the (in itself) direct moral and physical suffering and degradation

of a large portion of the world's population (Socialism portrays these evils vividly and graphically), what is the reflex effect of this economic enslavement of the workers?

For some few centuries before the French Revolution, men, that is, men of the new civilizations that were then growing, began to question the right divine of Kings and Popes in a rather pronounced manner; they began to throw off their baby attire and ask to be treated as men. Commercial Freedom, Religious Freedom, Political Rights, the right to think and to do, such were the demands. It was a desperate struggle. The personality was trying to assert itself and to throw off the shell of superstitious circumstances which confined it; it fought and bled and died, but it gained the victory; and we of this century are free to think, speak, and write, with a very considerable latitude. Political equality, a share in the framing of such laws as were looked upon as necessary, freedom to think, speak, and write—these were the general ideas of the movement of events which culminated in the French Revolution, the American war of Independence, and the framing of the constitutions of those two countries which flashed their light over nearly the whole of Europe.

But already new evils had arisen,—the evils accompanying the introduction of machinery and the creation of the fortunes of the middle class. It was vain to say that the new light of Freedom would eventually emancipate the labourers; for a continually increasing number were declaring that new chains were being wrought for them by the very liberty from which they expected their emancipation. Laws were soon demanded for the protection of the labourers against the power which wealth

was exercising over them. Henceforth there were three distinct parties, the old aristocratic party, who would return to their ancient privileges, if possible; the party of the middle class, who insisted upon the right to produce, exchange, and use wealth in its own way, and the party of the proletariat, the embryo-labour party with demands, as mentioned above, for laws for the protection of the labourer.

The addition of the latter element excited a more stirring and vigorous research into the laws which govern production and exchange; history had produced in real life its ever recurring dilemma, the opposition between *right* and *fact*; but this time it had become such as to embrace the whole field of social economy. Political economy declared for the individual use of machinery and for as much freedom from state control as possible (defining, of course, that amount); the existing facts of life, laws as posited by political economy, were demonstrated by the labour party, to be in their nature opposed to that individual freedom which economists aspired to, and to be continually producing moral enslavement and license: such were the circumstances and parties of the literary and historic combat of the beginning of the nineteenth century.

Every panic, every crisis, every depression, marks the advance of the Socialistic cause, and the demands for labour legislation. It is getting daily more and more respectable and more and more a matter of course; that abstract something called the State is the instrument of reform which is becoming more and more relied upon; every one with a crotchet seeks to force his special panacea for special ills upon everybody else; parliament and its members, finding it a growing diffi-

culty to satisfy the increasing variety of wants of their voting followers, are, for this very reason, more at the mercy of any new section that may arise; the questions of the day, with them, become less and less a matter of principle and more and more a question of how to act in order to secure the largest number of votes; officials, as a consequence, are getting greater in number, and insolent and high-handed in proportion; which ever way we look, or move, the hand of those dressed in a little brief authority, stays us; it is going up and up, it will gradually, (if it stops for so slow a process) for a time, entirely subvert the mechanism of modern industry—delightful, this majority rule, isn't it?

Thus commercial depression, which political economy passes by as a simple accident, a mere transitory inconvenience of its laws, is the very circumstance which is giving life to that force which is swallowing it up, both in a literary and historic sense, and neither political economy, nor mere subjective individualism, can stem the flowing tide. The Socialists reply to the former with a more exact analysis of the laws of production; and in regard to the latter, it is of little use to preach liberty without wealth to those who are toiling endlessly with no better prospects for old age than charity in some form; they want something more immediately and glaringly beneficial, and Socialism has the appearance of supplying that; they will only recoil from its evils when they fall upon them. Prospective evils have no terrors for *them* in the face of those they are suffering from to-day.

The conditions, then, under which Interest and Rent find their economic expression, are the conditions which give rise to monopolies, taxes, legal restriction; attempts to create trade guilds and unions for the

maintenance of privileged industry and for the exclusion of competition, etc., and these are by nature impediments to the emancipation of labour, obstacles to the full effect of the law of the proportionality of values—they are hindrances to the progress of wealth and well-being for all.

Perhaps there is nothing whose monopoly is so iniquitous as the monopoly of the precious metals by the various governments, at all times and all places, or nearly so. Yet people everywhere have allowed their Kings, Princes, and Governors to be masters of this very delicate and important piece of industrial mechanism. No matter the "thirty million mostly fools," for a universal effect, there is, it may be granted, a corresponding cause. From very early times, copper, silver, and gold, have been looked upon as something whose value may be taken to be constant; which, at all times, is exchangeable with other commodities, and the possession of which is preferable to them even if its present value is no more. And this is no fiction, no mere creation of the brain; it lies in the nature of the metals themselves, combined with the necessary course of the development of societies—that is, the development of the production of values. Gradually they come to be looked upon more and more as the unit in which is reflected the movement and image of all other commodities, as the commodity par excellence; and this movement having once set in, there was no return; it must work out its economic destiny.

Economically, the possessor of money is he who has accomplished his societary task, and who holds in his hand the command for others to do likewise. The first moment of production is the possession of commodities,

but as we have before remarked, should exchange from any cause be forbidden to the producer, he is as if he possessed nothing. A necessary step, then, is the transformation of commodities into money, and as every one is concerned in obtaining this metamorphosis, he who has accomplished this task has no difficulty in attracting such other commodities as he desires for his consumption; thus the economic *pons asinorum* is the transformation of commodities into money. No wonder Kings, Emperors, Princes, and presidents, stamp their image upon it; when civilizations become what they are to-day, the *sine qua non* of the existence of these magnates is the royalty of money; one is the symbol of political inequality, the other the symbol of economic inequality; they are counterparts, and must die together; the instrument of their death is of their own generation.

Let us see.

The control of the money medium by Kings and Governments, and the stamping of their image and symbols upon it, is the creation of a yet more unique pre-eminence for every money unit over every other commodity unit; it is the crowning of the economic King, and an alliance made between the economic and political privileges for mutual support. Hereafter any body of men who, "in the interest of the public," and for the security of industry, undertake the establishment of institutions for the "facility of commercial transactions," find nothing easier than to persuade themselves that they are mankind's benefactors, and therefore entitled to the patronage of Kings and Governments. Indeed, do not the security of industry and the interest of the general public demand that only persons of the highest

rank and most unquestionable integrity and financial soundness shall interfere with this precious thing, the currency?

So it was reasoned, and so it came about, that kings, and merchants only of highest social estimation, were allowed to share the spoils of a controlled currency.

I do not mean to say that this combination was brought about by any purely selfish desire for gain, but men so hopelessly mix up their individual interests with their opinions, that they catch at any plausible theory which accords with the former. In no other way can the history of our development be explained.

"I contend," says Professor Thorold Rogers, "that from 1563 to 1824, a conspiracy, concocted by the law and carried out by parties interested in its success, was entered into to cheat the English workman of his wages, to tie him to the soil, to deprive him of hope, and to degrade him into irremediable poverty. . . . For more than two centuries and a half, the English law, and those engaged in administering the law, were engaged in grinding the English workman down to the lowest pittance, in stamping out every expression or act which indicated any organized discontent, and in multiplying penalties upon him when he thought of his natural rights."* Still we speak of *natural* inequalities, just as if everything had been conducted with the most even justice, and as if there had been a fair field and no favour.

The increasing market for English wool led to the most cruel and wanton dispossession of whole villages of the poor people, the grabbing of common lands, and

* "Six Centuries of Work and Wages," p. 398.

a scramble that will remain an everlasting disgrace to our rulers.

In conjunction with this, the successive debasements of the currency, coming with such abominable laws as the Statute of Labourers, is all-sufficient to account for the inequalities and other beauties of this best of all possible worlds. But the cup of iniquity was not yet full.

Besides the suffering and discontent which was the outcome, largely, of our Old Nobility and its noble tactics as regards the common lands, etc., a scheme was started for the raising of revenues for the government. A corporation was formed which was called the Bank of England, and it was embodied in an Act of Parliament, "for granting to their Majesties several duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors; for securing certain recompenses and advantages, in the same act mentioned, to such persons as shall voluntarily advance the sum of fifteen hundred thousand pounds towards carrying on the war with France." The Corporation thus formed and subscribed to, was to lend the whole of the capital to the government, and to receive interest at the rate of eight per cent., and for management of the Corporation, £4000.—Government made easy! And as to the "certain recompenses and advantages" we shall soon see that they were not forgotten.

Such was, in part, the mutuality established, in its initiation, between the Bank of England and the Parliament. Successive governments did not forget these facilities for raising revenues, and the Corporation of the Bank of England have much to be thankful for, in the kindly protection of the dear old, good natured

and impecunious institution, the State. It was enabled under such protection to deal quite recklessly with the money of the public, in order to make large profits, and to escape the penalty of such reckless dealing which people unfavoured by such privileges would have incurred. For "certain recompenses and advantages" it was ever ready to yield to the pressure of the exchequer, till at last, in 1797, it was compelled to stop payment. Was this its ruination? Not a bit. Where commercial ability failed, government came in and "for certain recompenses and advantages" passed another Act of Parliament, allowing the Corporation of the Bank of England, composed of "gentlemen of the highest commercial integrity," to continue that stoppage of payment till the end of the war! This kind of mutual mischief-breeding has a long history, and at each stage of meddling some other arrangement became necessary in order to cover up the mischief of the preceding one. So the state "meddles and muddles."

In consequence of the stoppage of payment, bank notes became much depreciated. "If the possessor of the notes of the Bank of England, promissory to pay £46 14s. 6d., or a pound weight of gold, offered such note for payment on demand, according to their tenor, he was presented at the Bank with an Act of Parliament, excusing and prohibiting such payment *till the end of the war*,—that is to say, for an indefinite time. If he wanted the pound of gold, he was therefore under the necessity of taking to *market* the promise of the Bank to pay him that weight on demand, but with payment deferred till the end of the war, where he found that all that could *there* be got, for the promise to pay a pound of gold some day or other, was three-quarters or two-thirds of a pound ready weight;

more or less according to the estimation of the value, *i.e.* according to the depreciation of the notes in the market. . . . In the year 1813, the price of gold had advanced from the mint price of £3 17s. 10½d, to the market price in Bank notes of £5 6s. 1½d. . . . Statutes were indeed passed by the legislature by which it was made a misdemeanour to give or receive less of the royal coin for the notes of the Bank, than the quantity of such coin promissory by them, to be paid at the end of the war.

"It is needless to observe that such statutes were futile, not to say absurd and ridiculous, as all statutes which affect to over-rule and control the law and order of nature ever were and ever must be. But, in as far as they affected to fix the value of the gold coin, they soon had reference only to a nonentity; for all gold coin necessarily disappeared from the circulating medium of Great Britain, whence, by melting it, every pound and every greater and less quantity in proportion, was raised in value from £46 14s. 6d. to £63 13s. 6d., in payment of existing debts."

What could the effect of this be upon the commercial world and upon the real wages of labour! No wonder the general condition of the poorer classes, at this time, was unparalelled in the history of this country for centuries. The degradation of the workers, and the horrible slavery to which men, women, and children were subjected, hovelled, and fed, like beasts, were largely the results of the money-making of these banking princes.

Again, the difference of the values of £100 of the 11½ millions of the 3 per cent. stocks belonging to the corporation of the Bank and the £100 of the 488½ millions of 3 per cent. stocks belonging to other individuals

of the public, shows to a certain extent the value of the monopolies and exclusive privileges sold to the corporation.

"The 488½ millions of 3 per cent. stocks (taking the whole at 500 millions) belonging to other individuals fell in value during the late war, so as to be worth, in the market, only 47 per cent, and never rose during that period, on the average of any year, to 72½ per cent; the 11½ millions of such stock belonging to the individuals composing the corporation of the Bank, never fell lower than 115½ per cent., and rose (in the year 1809) to no less than 288 per cent.

"With respect to the enormous profits, amounting to more than *fourteen millions*, *made by the Bank of England during its stoppage of payment from* 1797 *to* 1822, *over and above the accustomed half-yearly dividends of* 7 *per cent. per annum*, it may be asked, was not that a profit unduly derived from the public itself—made by the use of a state-paper money issued by the Bank, to the amount of nearly thirty millions, for which the partners of the bank were not responsible beyond each his or her share of the joint stock amounting to only eleven millions and a half?"

I do not wish to deny that industrial crises would have happened even if we could have kept our currency free from the mischievous interference of Kings, and our banking interests free from government regulations and intrigues; but long, long before now, and with half the suffering and destitution, the solution of the money problem would have been found, but for this abominable meddling and mischievous restriction.

Indeed. as the reader will have perceived, such crises are the natural result of our transitional stage in the

development of the constitution of value, but the mischief inflicted upon the world by the yielding of our governors and kings to the temptation of truckling with the currency and thereby enriching themselves, is so incalculable, so intense, so lasting, that it is altogether an open question as to whether our civilizations will survive it. As a remedy, however, freedom might have a little more attention than is generally accorded it.

Quite after its usual wont, Government placed its stereotyping influence on a custom which came to liquidate debts through the medium of the precious metals, by insisting that payments should be made through that medium. It has thus thrown a spell over the banking and commercial interests which prevents all thought of any other method of liquidation. The state (all states) guarantee to enforce payment in gold or other precious metals: why, then, should the great money kings trouble themselves about getting them settled in any other way? They have only to insist upon money payment, and the state sees to it that they get it: this prevents any growth of a system of exchange based upon a more mutual consideration of the convenience of all parties.

It is the same with all governmental action, and the amount of iniquity of each is unmeasurable. With the lightest heart, and with no compunction, legislators lay hold of a principle or custom: whether it is of recent arrival or old as society, transitory or eternal, an antinomy or a synthesis, or both, they know not nor care: it is here, that is sufficient; they stamp it permanent, everlatsing, and insist upon its enforcement at all times, till such enforcement becomes so intolerable that it is obliged to be relinquished owing to the

forces it calls up in opposition to it, and the evils it engenders. Such forces are not always of commendable methods, but they are unavoidable. Philosophers point the goal, the impressions filter down, and the more unconscious movements of society's units do the rest.

Societies are growths, and notwithstanding minor differences which distinguish their individualities, they proceed, always upon certain well-known lines, and with fundamental likenesses. All the horrors which governments were capable of committing (and they are ugly and numerous enough) have been conjured up to prevent this inevitable growth, but all to no other purpose than to inflict most distressing misery upon the different races and impede their progress or ensure their decadence.

It is true, governments come to be the force to sustain the hereditary principle of society, and in societies, as in the world of nature, the principle of heredity is no less needed than the principle of the tendency to vary. But from the nature of the elements of its composition, and the circumstances of the growth of each and every form of Government, it does its work in a very bungling manner, and, blindly and inevitably as the forces of the physical world, battles with, and if possible, subverts any and all forms of variation whether good or evil,—strength determines right, order is evolved from opposition.

It is this character of governments which, at certain periods of societies' growths, induces complications of a most inextricable nature, and an embroglio of such fierceness of ferment as to hurl civilizations back to the throes of barbarism.

This ferment we have reached dangerously close to to-day, and it is clear that the landless, capitalless condition of the labourers, with all their misfortunes and inequalities—in fact, society—owes its impeded growth and abortive present day expression, largely to this character of government, expressing itself in a vicious system of legal land theft and oppression; in unscrupulous tamperings with the currency by Kings; in such statutes as those of the Statute of Labourers; latterly in the maintenance and intensification of those conditions by such reckless speculation with the public weal as the government and corporation of the Bank of England conjointly indulged in; and still in the present systems of inadequate, but State-propped medium of exchange and Banking; systems which periodically produce by their inelasticity and inadaptability to modern requirements, the phenomena of crises, panics, depressions, and the continuation of those conditions which admit of the appropriation of the increased productiveness of labour and the consequent nullification of the distributive effect of the law of the proportionality of values.

CHAPTER V.

The Constitution of the Law of Proportionality of Values.

In this chapter, I propose laying before the reader a principle which, if acted upon, will subvert, at one stroke, the conditions under which labour is robbed of the benefits of its collective productiveness; consequently, dispel for ever the phenomenon of depression; establish a free and open market, in the full sense of the phrase; cut the ground from under the feet of the State monopoly of currency, and leave its edicts of cash payments to be remembered only as the Pope's bulls, while Rent and Interest will have no place or necessity. All these things are connected and consequential, grafted upon the same stem, and will succumb, in a body, to the same conditions.

"The happiest state which the human race could conceive, is such a mobility of labour, and such an extension of cultivable land and the productive industries which man gives to cultivable land, as to *produce that plenty in which rent finds no place*. To mourn over the decline of rent is to regret that one has extinguished friction and loss in the machinery of human industry and social life. To rail at rent is silly, to declare that one would confiscate it is dishonest; to seek out such a

machinery of industry as would reduce it to a minimum is the best service one can render to mankind, is the best answer to the insolence of unmerited wealth and to the bitter discontent of starved and ill-paid labour."*

It is refreshing that one rich economist can so lift himself from his surroundings as to conceive so much of the nature of rent and the possibility of its extinction. But as I have shown, rent is the result of the increased productiveness of labour; it is abstracted from the share of the capitalist, and is possible, therefore, only under conditions in which the latter is able to claim such increase. Also, rent is none other than interest at the present day, although, in purchasing, the value of land is estimated by the rent it will yield, at least, it is so to a very great extent—the reduction of rent then is the reduction of the value of land.

The reason why men pay rent is because they cannot afford to purchase the land they wish to use, or, that they find it more profitable to invest their capital in other directions. The same with interest: men pay interest on money because they cannot command the required use values (commodities) without it, or that their own money is invested in such a manner as to make it more profitable to borrow than to withdraw it. Then why do you quarrel with rent and interest, the reader will ask; if men find it more convenient to borrow money or land, and to pay a certain price for the loan, than to use their own capital, by what edict will you command them to cease their mutual conveniences? Well, not by force, governmental or otherwise, for if

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* "Six Centuries of Work and Wages," pp. 456-7—Professor Thorold Rogers.

interest and rent are irrepressible except by force they are irrepressible with it.

Let us quote and examine M. Bastiat's illustration of the plane. It is cited everywhere as unanswerable, and as proof positive of the eternal necessity of interest.

"A very long time ago there lived, in a poor village, a joiner, who was a philosopher, as all my heroes are, in their way. James worked from morning till night with his two strong arms, but his brain was not idle, for all that. He was fond of reviewing his actions, their causes, and their effects. He sometimes said to himself, 'With my hatchet, my saw, and my hammer, I can make only coarse furniture, and can only get the pay for such. If I had a *plane*, I should please my customers more, and they would pay me more. It is quite just; I can only expect services proportioned to those which I render myself. Yes! I am resolved, I will make myself a *plane*.'

"However, just as he was setting to work, James reflected further:—'I work for my customers 300 days in the year. If I give ten to making my plane, supposing it lasts me a year, only 290 days will remain for me to make my furniture. Now, in order that I be not the loser in this matter, I must gain henceforth, with the help of the plane, as much in 290 days as I do now in 300. I must even gain more; for unless I do so, it would not be worth my while to venture upon any innovations.' James began to calculate. He satisfied himself that he should sell his finished furniture at a price which would amply compensate for the 10 days devoted to the plane; and when no doubt remained on this point, he set to work. I beg the reader to remark, that the power which exists in the tool to increase the

productiveness of labour, is the basis of the solution which follows."

I, also, beg the reader to remark the point.

"At the end of ten days, James had in his possession an admirable plane, which he valued all the more for having made it himself. He danced for joy,—for, like the girl with her basket of eggs, he reckoned all the profits which he expected to derive from the ingenious instrument; but, more fortunate than she, he was not reduced to the necessity of saying good-bye to calf, cow, pig, and eggs, together. He was building his fine castles in the air, when he was interrupted by his acquaintance William, a joiner in the neighbouring village. William, having admired the plane, was struck with the advantages that might be gained from it. He said tc James:—

"W. You must do me a service.

"J. What service?

"W. Lend me the plane for a year.

"As might be expected, James at this proposal did not fail to cry out, 'How can you think of such a thing, William? Well, if I do you this service, what will you do for me in return?'

"W. Nothing. Don't you know that a loan ought to be gratuitous?* Don't you know that capital is naturally unproductive? Don't you know fraternity

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* M. Bastiat here refers to what Proudhon once said to him, that the foundation stone of his system is the gratuitousness of credit. But the illustration does not cover, for M. Bastiat did not grasp the meaning of the term credit. M. Proudhon's use of the term Socialism, also, meant general well-being, and not what it does to-day as the reader will have gathered.

has been proclaimed? If you only do me a service for the sake of receiving one from me in return, what merit would you have?

"J. William, my friend, fraternity does not mean that all the sacrifices are to be on one side; if so, I do not see why they should not be on yours. Whether a loan should be gratuitous I don't know; but I do know that if I were to lend you my plane for a year, it would be giving it to you. To tell you the truth, that is not what I made it for.

"W. Well, we will say nothing about the modern maxims discovered by the Socialist gentlemen. I ask you to do me a service; what service do you ask of me in return?

"J. First then, in a year the plane will be done for, it will be good for nothing. It is only just that you should let me have another like it; or that you should give me money enough to get it repaired; or that you should supply me the ten days which I must devote to replacing it.

"W. This is perfectly just. I submit to these conditions. I engage to return it, or to let you have one like it, or the value of the same. I think you must be satisfied with this, and require nothing further.

"J. I think otherwise. I made the plane for myself and not for you. I expected to gain some advantage from it, by my work being better finished and better paid, by an improvement in my condition. What reason is there that I should make the plane, and you should gain the profit? I might as well ask you to give me your saw and hatchet! What a confusion! Is it not natural that each should keep what he has made with his own hands, as well as his hands themselves?

To use without recompense the hands of another, I call slavery; to use without recompense the plane of another, can this be called fraternity?

"W. But, then, I have agreed to return it to you at the end of a year, as well polished and as sharp as it is now.

"J. We have nothing to do with next year; we are speaking of this year. I have made the plane for the sake of improving my work and condition; if you merely return it to me in a year, it is you who will gain the profit of it during the whole of that time. I am not bound to do you such service without receiving anything from you in return: therefore, if you wish for my plane, independently of the entire restoration already bargained for, you must do me a service which we will now discuss; you must grant me remuneration.

"And this was done thus:—William granted a remuneration calculated in such a way that, at the end of the year, James received his plane quite new, and in addition, a compensation, consisting of a new plank, for the advantages of which he had deprived himself, and which he had yielded to his friend.

"It was impossible for any one acquainted with the transaction to discover the slightest trace in it of oppression or injustice.

"The singular part of it is, that at the end of the year, the plane came into James's possession, and he lent it again; recovered it, and lent it a third and fourth time. It has passed into the hands of his son, who still lends it."

This is indeed a very pretty little piece of fiction; but economists are concerned, or should be, and profess to be, with facts, and to say nothing of some minor

points, it ill accords with such. The functions of James as a labourer, and the same as a capitalist, are most beautifully mixed to an exceedingly nice and convenient conclusion. As the fallacy underlying it has never, to my knowledge, been seen through, it is worth examination.

As a labourer, whatever M. Bastiat's conception of justice or injustice may have been, "the power which exists in the tool to increase the productiveness of labour," can have no effect upon the remuneration of James,—none whatever which does not also affect William's in like degree; for as political economy has truly shown, if no more labour is expended upon the product, although the quantity is increased, or its quality improved, the production of exchange-value is no greater; so that in this respect, James's expectations of large profits would have been, truly, castles in the air, to be dashed to pieces, very quickly, by the cruel hand of iron law, even the iron law of wages. M. Bastiat here takes the transactions of individual friends as analagous to that of the entire commercial community. Such a proceeding is often fallacious, and this is an instance.

If instead of one James, who appears to have an advantage over one William of knowing how to construct, and become possessed of a plane, there had been many Jameses and many Williams, then the value of the plane, as I have remarked, would not be in accordance with "the power which exists in the tool to increase the productiveness of labour," but with the amount of labour expended in making the plane. Ten days are required to construct it: if James, before he took to making planes, produced one plank per day,

that is, ten planks in ten days, and if, as the result of his special knowledge in producing planes, he was now able to obtain, by exchange, fifteen planks, then, soon this special knowledge would induce others to follow the additional industry, plane-making; and in order to sell their planes, they would be prepared to take fourteen planks for each one; still others would follow, and a plane would be sold for thirteen planks, twelve planks, eleven, ten, unless we grant that plane making was looked upon as a more highly skilled branch of joinery than James had hitherto engaged in, and in that case, and from this point of view, it is nothing to the point; moreover, the ease with which James slipped from one to the other industry would make the degree of difference infinitesimal.

So it would come to pass that the Jameses and Williams would estimate the value of the plane by the labour embodied in it, and not by "the power which exists in the tool to increase the productiveness of labour." Thus capital *is* unproductive in the sense in which political economy can use the term, that is, unproductive of exchange value; indeed the actual productiveness of capital is of use-values, and use-value increases as exchange-value of commodities decreases, and if the joiners now produce more planks and more planes than heretofore, the increased quantity will exchange for no more than the smaller quantity formerly did.

The productiveness of the tool, the plane, over that of the hatchet, saw, and hammer, then, cannot give morality to James's advantages. The fact is, M. Bastiat has this part of his illustration *à rebours*. Let us try to correct it. Every commodity expresses a certain and definite

quantity of socially necessary labour, that is, society knows how much labour it embodies on an average, and if any one should expend more labour on its production than this quantity which society says is necessary, then so much is lost to him as an individual, and in order that he can produce such a commodity at its average cost, he must be in possession of such means of production and wages-fund as the times have rendered indispensable.

It is for the possession of these means of production that men find it convenient to pay interest. The issue is not at all as between the general use of one form of capital represented by William's hatchet, and another *exceptional* form represented by James's plane; it is between the possession of a general form of capital in use and none, or at least, one that has become obsolete. This puts a new light on the matter: it is no longer the cleverness and diligence of dear, good James and his inventive genius which command interest, nor the improvidence of selfish, idle, William, which causes it to be yielded up, but the *historic* development of the means of production, of the form of production, that is, of Capital. Clever Jameses and improvident Williams do appear, but they are not typical, respectively, of capitalists and workmen. The less said about the relative historic positions of labourers to capitalists and landowners, unless a solution is found, the better for the latter classes. We have made a little examination of this historic development of property, or capital, and although M. Bastiat would not have done it consciously, nevertheless, his illustration is a libel, a calumny, a vilification of the workers of the world; it carries an idea with it which mixes

with the writings of some of the best of people, and flings down wealth's insolence on the pages of otherwise most enjoyable literature and thought,—all because the nature of Interest is as superficially handled as in the illustration we quote.

Having thus far cleared the ground as to the reflection the illustration casts upon the workers, and shown that "the power which exists in the tool to increase the productiveness of labour" is not that which commands interest, it is now time to treat James as a capitalist and William as a *capitalist-undertaker*. The former is in possession of capital; the latter wishes to use it. But if James lends William his capital for a year, merely for the return of the principal, he does in reality deprive himself of advantages for the sake of William; then what is the matter with James, if he receives, besides his plane (principal) a plank (interest)? He does William a service, and expects a reward. Why? Because, while supplying the means whereby William (supposing him to be a single-handed capitalist-undertaker) is able to produce commodities in accordance with the average embodiment of labour-power, instead of having to toil longer, or at a lower grade of work, at the same time deprives himself of facilities exactly in proportion as he supplies them to William. But M. Bastiat so hopelessly mixes and intermixes the functions of the different classes of producers that we must stop to make yet further distinctions. He wishes to point out, in a very simple manner, a very complicated mechanism. The affair is not so simple, and he fails. He would show that as the invention of machinery, etc., adds to the power of capital and labour to produce commodities, the labourers by delivering up the increased quantity to the capitalists,

lose nothing by the transaction, and are no worse off than if they laboured without it. Well, it appears a little bit of the Shylock on the part of our capitalist Jameses, to defend the exaction of *all* the improved results, more especially as they are unlike M. Bastiat's hero James, who, we will grant, invented, or at least put all the labour into the plane that gave it value. Some one else does the inventing for precious little pay, very often; our capitalists do but command that invention, in virtue, largely, of their historic position.

M. Bastiat's little story covers, and that in a most glaringly inadequate manner, a very different relation from that of labour to capital. It so covers the relation of the intermediary between these two, the capitalist-undertaker, and the capitalist. We have granted the benefits the former receives from the latter, viz., that he has conferred upon him the advantages which the owner of capital might, by keeping his capital, gain himself. The capitalist-undertaker desires the money; the capitalist has the power to withhold it or not; the former cannot help himself, and there's an end of it; capitalist James has a right to make all he can of his capital, the laws of production demand it, the law of proportionalty of values would be inoperative without its spirit.

Here, however, it is opportune to call attention to the serious omission which M. Bastiat, and all those economists who have trumpeted after him, (including Henry George, who gives the ditty with variations, equally superficial), have made; an omission which, I venture to say, not one of them would make in actual life.

It is all very well for two workmen friends to have sufficient confidence in each other as to lend a few tools

for a consideration; but in commercial life, the borrower and lender stand on no such friendly level, and money is not obtained in so nice and confidential a manner. Lending is altogether a misnomer, the transaction is exchange. If one were to go to an economist to borrow £500, he would forget his arm-chair story of James and the plane, he would say:—"£500, H'm; have you any security?" "No; I've been reading of James and his famous plane, and William too, and I thought it most accurate justice, and if you will kindly lend me £500, I think it nothing but right that I should pay you interest for it; I'm a British workman, you know, and I like what's right, and"—but here he discovers a cloud on the features of the economist, and he stops, then says, "Perhaps you've a friend, if yours is too much locked up just now?" "Well," says the economist, "you see we usually get security, and most of my friends would prefer to let their money out where there is little risk, that is to say, where the user holds property sufficient to cover the amount." "I see," replies the British Workman, if I have two cottages of my own, unmortgaged, and worth above £300 each, I might have little difficulty in borrowing £500 of an economist, if I handed the deeds over to his solicitor. Ah, that plane wants thinking about." And the economist repeats, (when the British workman has gone), "that plane wants thinking about." In order to borrow money I must be in possession of property of sufficient value to realize the amount at any time, on the market.

It is true, the borrower, as a result of borrowing, possesses the use of two capitals instead of one, but the money he borrows is of no use whatever, except as money, a means of obtaining use-values; interest,

therefore, reduces itself to a premium, paid for the supply of the medium of exchange; for the momentary possession of one commodity through whose portals all other commodities must enter. It is a premium paid to that body of men who, having accomplished the sale (received the gold) may withhold society's power of purchase (the same gold) until they receive a payment for granting the privilege. I will explain.

The economists have neglected, overlooked, this character of money, and have been content to sing its praises. Professor Jevons, however, in his "Money" says, "Might we not invent a legal tender note which should be convertible, not into any one single commodity, but into an aggregate of small quantities of various commodities, the quantity and quality of each being rigorously defined? Thus a hundred pound note would give the owners a right to demand one quarter of good wheat, one ton of ordinary merchant bar iron, one hundred pounds weight of middling cotton, twenty pounds of sugar, five pounds of tea, and other articles sufficient to make up the value. All these commodities will, of course, fluctuate in their relative values, but if the holder of the note loses upon some, he will in all probability gain upon others," etc. Such an arrangement, however, he admits would be most inconvenient "in practice;" we may conclude, therefore, that there is something wrong with the theory.

Speaking of Poulett Scrope's Tabular Standard of value,—a very cumbersome, and as I believe, impracticable scheme, requiring tabulated lists of prices, "a permanent government commission, endowed with a kind of judicial power," to tabulate them, and publish them monthly, payments to be adjusted in accordance

with them,—he expresses his opinion that, although such a scheme would, no doubt, introduce a certain complexity into the relations of debtors and creditors, yet, "such a standard would add a wholly new degree of stability to social relations, securing the fixed incomes of individuals and public institutions from depreciation which they have often suffered. Speculation, too, based upon the frequent oscillations of prices, which take place in the present state of commerce, would be to a certain extent discouraged. Periodical collapses of credit . . . would be mitigated, etc."

This scheme I quote to show that it is believed that greater stability would result from the direct exchange of commodities, without the intervention of gold, and not because I do not take it to be the outcome of a false conception of the theory of value, as well as an impossible and impracticable project.

We see that gold is a commodity, and like other commodities, its exchange value is estimated by the proportion of labour it contains. Its function as money is analogous to that of the barometer; it serves to indicate the relations of commodities one with another, as a means, a guide, to their exchange, nothing more; as money it can serve no other purpose; it cannot be utilized productively, and the sole reason of its being so much sought after, is, that, being possessed of it, our minds are relieved of the anxiety which attaches to the possession of other commodities in larger quantities than we require for immediate consumption.

But as every other commodity is an embodiment of labour, of known quantities, relatively and absolutely, why cannot they, equally with the commodity gold, serve

as instruments of exchange, currency; since, as commodities, they would serve as instruments of production, as well as, at the same time, fulfil the *function* of currency by means of their symbol. As I am about to show, the one function need not necessarily exclude the other. This is in part testified by the amount of lending bankers are able to do with the money of their customers, and the amount of gold in their vaults which is in reserve for emergencies, an amount which is but a small fraction of what would be required if all the bankers' promises to pay on demand were presented. Indeed, "the whole fabric of our vast commerce is found to depend upon the improbability that the merchants and other customers of the bank will ever want, simultaneously and suddenly, so much as one twentieth part of the gold money which they have a right to receive on demand at any moment during banking hours."

The reader will now begin to see the importance of our investigation of the condition of value, and the fact that it is governed by laws which are rigorous and immutable, not at all vague and arbitrary, and that commodities contain a definite and ascertainable quantity of labour.

All commodities (excepting some special cases) having their values estimated and determined by the amount of labour-power embodied therein, may, in this respect, serve equally as well as gold as a medium of exchange; but unlike coined gold, their function as such need not hinder their use as instruments of production. But if this is so, that which is security must, by the means of its symbol, also be the basis of the currency, and there will be no necessity to borrow.

The course of our development demanded, as a neces-

sity and convenience, that, at certain periods, one commodity should be looked upon as pre-eminent, and accepted in payment in preference to any other. The precious metals do undoubtedly possess characteristics which should cause them to be singled out for this purpose; in selecting them society made no mistake. They centralise a large amount of labour in a small compass, they are desirable, easily transportable, etc., the convenience of the individual demanded that they should be crowned king of commodities, and partners, with government, in perpetuating interest by rendering it necessary.

But it is different with the world to-day. Gold could not effect and serve as a medium for the present stupendous amount of commercial transactions, and had we not effected an economy by substituting something infinitely lighter, (a symbol) all industry would be much impeded. But we have effected economy, and millions of pounds worth of exchanges are carried on daily by the use only of a surprisingly small quantity of gold. The mechanism by which this feat is accomplished is the BANKING INDUSTRY. The most important, perfect, least fraudulent, most secure branch of this industry is the cheque and clearing-house system, and this, be it observed, arose spontaneously, in response to individual convenience, with no Act of Parliament to control the bankers' clearing process.*

It is to this branch of Banking that we must look for the solution of the social antinomies.

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* The Mechanism of the Banking Industry may be read in, among many other works, "Currency and Banking," by Bonomy Price; Bagehot's "Lombard St."; Gilbart on Banking"; "Money," by Jevons, etc.

Instead of upon gold, why cannot cheques be based upon *values*, no matter in what material they may be dressed? The same machinery, the same books, with little substitution, comparatively, could just as easily strike the balance of values represented by other goods as they pass from one individual to the other, through one Banking Company to another, as they now do, of millions of pounds worth of gold values per day, as they pass from one individual's account to another's, and from one Banking Company's account to another's.

Nor would this involve any greater complications, or risks, and only additional labour; on the contrary the stability and well-being of every body that would follow, as I shall show, would reduce risk to zero, and speculation to its legitimate form.

As to the incomes of individuals, I propose nothing that would confiscate, in any way, a single farthing of their salaries, but something that will admit of every item of capital being used to its fullest advantage while making ill-paid labour impossible.

In order to inaugurate the new system of Banking it will not be necessary to call for the exercise of philanthropy in any form, or self-sacrifice; but only to appeal to the individual interests of a certain section of the commercial world; all that is required is for some few customers of the various banks to see the possibility of obtaining unheard of facilities for carrying on production. This point once gained, a very little pressure would start some enterprising individual, or company of individuals, on the road to supply this demand, and once in operation it could not stop until it had compassed the whole system of our cosmopolitan industry.

There could be no better organisers of this new system than our present bankers. They would at first proceed cautiously; and no one better than they know who are the business people of the soundest position and honesty, that is, most able and desirous of fulfilling their commercial obligations.

Either as a desire on the part of some of our Banking companies to capture fresh fields of enterprise, or in response to a demand on the part of some of their customers in various districts, they would announce that a new branch or feature was about to be added to their present system, and that a few tradesmen and manufacturers in each of the districts where they were represented, and comprising as many of the various trades as possible, were wanted to *supply goods to their order*. What tradesmen or manufacturers would not respond? Every branch manager of Banks would be overwhelmed with letters and applications; they would run thus:

SUPPLY ASSOCIATON

Dec. ———

DEAR SIR,—I notice your announcement and request for the supply of goods of all kinds, to your order; we have a large variety and we are depended upon, by the public, to supply a uniform quality. We shall be most happy to respond to your esteemed commands, and if you should honour us with your attention, I will personally superintend the enumeration of departments, or the carrying out of other instructions you may give. I shall be at liberty to call on you at your convenience.

I remain, Dear Sir,
Yours Faithfully,
G. W.———
(*Manager.*)

F. S———, Esq.
———Banking Co.

Each accepted applicant would agree with their bankers as to how much value, in commodities, they would be prepared to supply on demand, let the demand

be ever so simultaneous; a hundred, a thousand, ten thousand pounds worth, or what not. It must be agreed that the banker's demands shall have precedence over any other, creditors or whatever they may be. It would have been explained, before now, to each tradesman and manufacturer, that in exchange for their goods, which they supply to the banker's order, they would receive no cash; the prospective beauties of the business would thereby be a little marred, but only for the moment. It is soon further demonstrated that cash to the business man is of no further service than giving him the trouble to count it and place it in the bank; he knows, or seems to possess a happy feeling that it is there, but in reality, *he* does not use it at all, it is the banker who profits by that, and he profits by the handling of the values, which his money, as it passes through the bank, is but the indicator of. Gold no sooner enters his cash-box and safe than it is carried to the bank, and no sooner there than he puts his name to paper and receives commodities. Now, it will be shown, this is quite unnecessary, and that instead of taking gold to the bank, now that he has engaged to supply a certain quantity of goods on demand, all the business man of the future will have to do is to write out his orders and get what he wants in exchange from any of the numerous manufacturers, importers, or what not, who are allies, and engaged like himself, to supply commodities on demand. Moreover, these allies will be the best firms of the kingdom, and, as the banks are a world-wide net-work, any ally of the bank will have the best of facilities for obtaining the best goods from the best markets known. But how if I wish to realize, and obtain gold for my business and stock?

Oh, well, the banker will answer, we have secured the adhesion of the principle gold mining companies, and you can just as easily order on nuggets of gold, as tea, sugar, coffee, boots, cloth, etc.; and we have a most generous government, the mint will coin it for you for nothing. The trader is satisfied; he is now a partner in a world-wide company, indeed, one that must take the whole of society under its wings, and yet he does not give up one iota of his individual liberty; he is not responsible for the foolish acts of any other ally of the company, nor can they affect him any more than they do now. Bankers now know how to adjust their profits to risks, and will continue to do so in the future.

Manufacturers (under exactly the same conditions of competition as now, and without giving up their supply in the usual way) would undertake to supply the wholesale houses; the wholesale houses would supply the retail, and the retail cater to the general public.

Now in order for the retail dealer to purchase from the wholesale merchant, he must, as I have said, lodge at the bank a guarantee that he can at any moment supply goods, in his own business, and in a retail manner, to the value of a certain specified amount, or it may be that he has property besides, and if so, this also is added to values which he is able to supply. These two amounts would be entered to his credit in the banker's book, and cheques could be drawn upon that amount, just as it is now drawn upon gold actually deposited in the bank; but instead of being in the bank, and the banker ready himself to hand the gold over if required, he now has agents, allies, who will supply instead of *one* commodity, gold, *any* commodity of any description.

In the payment of the cheques, however, which are drawn upon gold, to-day, that metal is not passed from one town to the other, or from one banker to the other, it stops in the hands of the different companies with whom it is deposited. If the amount deposited in one Bank in one day be £10,000, and £9,000 is drawn upon it by cheques, this latter amount is due to various banks, that is, the cheques are handed to various bankers who either cash them or place them to the credit of their customers. But the £9,000 gold is not forwarded to these banks; for if cheques to that amount are drawn upon this one banker, and handed into many other banks for payment, these same banks will have cheques drawn upon them, some of which from each bank will be presented for payment at this one bank, and the difference in the two amounts—the £9,000 which other banks pay for it, and that which it pays for them—will be surprisingly small. To further facilitate the process of this balancing of accounts, and consequent economy in the use of gold, the Clearing House was established and, by a similar process of balancing, the enormous total of twenty or thirty millions of pounds of Bankers' transactions per day are conducted with the use of only a fraction per cent. of gold. With the transmission of values, without the use of gold for effecting their exchanges, the debit and credit account would more nearly balance than now.

The cheques drawn upon the values the retailer guarantees to supply on demand, are presented to the wholesale merchant who forwards him values to the amount the cheques indicate. However, to enter a certain quantity of values at the bank, and draw upon them by cheque, thereby utilizing them as currency,

could not be at all permissible without some counter claim on the part of the rest of the value owners; for if I enter £500 values and with a cheque book issued to that amount, may be,* purchase £500 worth more of commodities, then, increasing the entry to £1000 and purchasing a further amount of commodities, I should soon be able to pull down my barns and build greater; so that by some system or other this £500 worth of commodities which I purchase with the like amount entered at the bank, must filter its way back in some kind of value form,—and such as they require, —to the persons from whence it came; that is why every depositor of values must be prepared to supply on demand, as well as use for currency the amount of values deposited, or rather registered, with the banker.

The manufacturers of a certain district having deposited, or registered, certain values, could with cheques drawn upon them, pay the wages of their employees; these same would go to the retailers of the

*To those who are unaccustomed to contemplate the amount of commercial transactions which are carried out upon the good faith of the dealers, I may say that, if considered necessary by the banker, the principle introduced in the issue of the Cheque Bank cheque, might be adopted, and overdrawing thereby be prevented. "The Cheque Bank proceeds upon the new principle of issuing cheques which can be filled up only to limited amounts, as shown by printed and indelible perforated notices upon the forms. These cheques, too, are only to be had in exchange for the utmost sum for which they can be drawn, which sum is retained as deposit until each corresponding cheque has been presented. It follows that each cheque, when duly filled up and signed by the owner, is as good as a bank note issued against a documentary reserve."—Jevons' "Money."

town who had undertaken to supply the company and who would be numerous,—indeed more than would have actually given in their adherence to the scheme, for the cheques would be transferable,—and who would be careful to announce that the "———Banking Co's cheques are taken here" and they, having made their register of values, and supplied themselves with commodities, would, in accordance with their promises to supply on demand, and in order to accomplish as much trade transaction as possible and thereby enrich themselves, do their utmost to supply such goods as would best suit their customers. Every trader would know the proportion of the different products required, and buy accordingly; if he were incapable of properly measuring their wants, his customers would soon go elsewhere as they do now. In every way and in every sphere, the relations of buyer and seller would be what they are to-day.

The retailer, having parted with a certain amount of his commodities for cheques, would be anxious to show the banker that he had fulfilled so much of his obligations, and would hand in the cheques for verification. After being stamped they would be placed to the debit account of the various manufacturers who had given them out, and placed to the credit account of the retailer. But the retailer, by the purchase of commodities, has thereby reduced his account by that amount, so that it would now stand at the amount originally entered, debited by the amount of cheques given out, credited by the amount to which he has supplied commodities. The balance can be drawn upon in like manner.

In this way the whole affair of the world's commercial

transactions could be carried on, gathering security and perfection as it developed, the various Banking Co's checking and striking the balances of values just as they now act with gold. The cheques of the different banks will circulate and interchange just in proportion as they are sound and deserving of reputation; one interchanging with another so that the possessor of values may not be inconvenienced, no matter where he goes.

If in the initiation of the scheme, the numbers of traders adhering to the system were small, still the holders of cheques would no doubt be able *anywhere* to get them accepted, directly or indirectly, on account of the security behind them in the shape of a large company, and the small number of shop-keepers and manufacturers would not therefore escape competition; but even if they were limited to those who expressly undertake to accept them still their businesses would not depend solely upon the bank cheque holders, therefore they would be obliged to move with the times; moreover, the greater facilities which these traders would receive in very many ways, would enable them to offer greater advantages to the public.

As to possibilities of fraud, the only danger would be the remote possibility of a trader being tempted to make a flagrantly false registration of values, and this would bring too speedy a punishment in the shape of injured commercial reputation, to be likely to occur; but there are means of guarding against that. Then as to the check system itself, there is no safer method of transferring money to-day than by the cheque system, and this could be still more edged for smaller transactions. As regards the payment of employees with cheques, Jevons says: "The managers of the Cheque Bank hope

to substitute their cheques for the coin now used by manufacturers in payment of wages. If this could be accomplished it would be convenient rather than otherwise to bankers, who are weekly called upon to furnish large sums of gold and silver coin, and have the trouble and cost of holding and counting a sufficient stock. Now, if a master in paying his men presented them with small cheques, or, perhaps better still, with cheques for even sums, and the balance in silver, the cheques would be cashed by shop-keepers and would be deposited by them in the banks, or might even be bought back in large sums by the masters for further use." The difficulties which stand in the way of accomplishing this to-day, however, would not exist under the system of drawing cheques upon values instead of gold.

But, what a revolution! Interest would be a thing of the past, and with it, Rent.

We saw how completely the British workman was misled by the story of the plane, and that the economist was wider awake in actual transactions than when he sits in his study to theorise; that the *sine qua non* of the borrower is security; and with security, one can obtain the fullest amount of the means of purchase that it is possible to get, and this by the very simple process of registration at currency centres, the Banks. Neither would the limits of credit stop at this point: to say nothing of the terms such a system would enable the wholesaler and retailer to make between them, and also between manufacturers and importers, the cheque system is an extensive means of CREDIT in itself, even when based upon that eagerly sought, crowned commodity, gold,* but when based upon values no matter how

See p. 106.

embodied, the differences between promises and demands will be even greater; and, just as to-day the difference between the banker's promises to pay gold and the demands made upon him, give him a large capital, so the differences between the tradesmens' promises to supply and what they actually supply will be equal to a large addition of capital for them. The gratuitousness of credit, which M. Bastiat so little understood, would be an accomplished fact.

This would be setting capital free with a vengeance; and the only cost would be a certain percentage charged on the part of the banker for keeping accounts (the source of his income instead of interest), a charge which in proportion to the volume of trade done would not exceed that now made for keeping present money accounts.

The effect of this change in our commercial system would be startling. Money payments would become less and less, because quite unnecessary, although, for a time, money payments and cheque payments would exist side by side; indeed, as to whether a small proportion of money would always be needed as a matter of convenience, time alone can prove, but money payments would no longer be the only method of final liquidation. Gold would pass from the position of king of commodities to that of a scapegrace.

We should arrive at those conditions which in the third chapter we assumed, (pp. 49-50) where interest had no place and where products were bought with products, and consequently under which every increase in the productiveness of labour distributes itself, by the law of proportionality of values, among the whole of the labourers; in which every impetus to invention would enrich the whole of the community, the inventors included;

in which the standard of comfort would be continually, and inevitably, augmented, and where the workers of all grades, from the Bank manager to the scavenger, whether he willed it or no, would find himself rapidly pushed on to wealth, health, and liberty—I might add to equality and fraternity.

Everywhere industry would expand; for the more commodities there were produced the more they would purchase; capital would everywhere be looking out for labour while wage-labour might probably become less; at least there would be every facility for it to do so, if it did not find it more convenient to remain wage-labour still. With such abundance of capital as the new banking system will set free, and with such universal and effective demand for use-values, large capitals would seek more and more for unheard-of fields of enterprise; one of these, we may safely predict, would be the supply of motor force, by central companies, to small home-workers,—a most important consideration.

Money-lending having banished itself from commercial transactions, and Rent fast reducing itself to zero, interest on money or capital engaged in production would no longer enter into prices; there would be nothing more than a risk premium, the same tending to zero in proportion as stability appeared. Services alone could gain reward, and Corporations and large Company-organizations would take their true form, viz., that of a working partnership.

The remuneration of the master-man, which follows from the interest on his capital, that is, the remuneration which he receives by virtue of the capital and credit he can command, under a system which pays for capital, namely, a system established upon interest,

would gradually be cleared away; yet his standard of comfort would not decline, since the impetus given to industry, and the cheapness of all commodities that would proceed, *pari passu*, with the elimination of interest, would more than compensate him, and make up the deficiency. Money wages would not fall with the price of commodities, at least, only in such proportion as would secure the general distribution of intensified productiveness. Monopoly would cease, unhealthy competition with its evil effects of insecurity and "cutting" for the tradesman, and starvation wages and irregular employment for the workmen, would come to an end; competition of a healthy and desirable character would be secured, and by the effective operation of the law of proportionality, all services would tend to be levelled *up* to such a degree of equality of remuneration that is now little thought of.

The limits which I have set upon this volume will not admit of any more than a passing notice of one or two other points. Our apprentice system, for instance, calls for thorough discussion, but I must leave the reader to draw conclusions as to what effect the new system would have upon it. At present it is as pernicious as it can be conceived to be; and all because capital thrusts itself forward and claims reward (interest) for its possessor. Everyone should be able to make himself master of one, and capable of turning his hand to several, branches of industry. Technical education (not state-propped, I hope) will do much in this direction.

Interest would not enter into the cost of the construction of houses; it would not therefore enter into their rental—they would be made to sell, principally, I should

say. The same with land, present legal documents will become historical relics, in virtue of which they will be possessed of value. The hiring of land may still be continued, but in a very small degree, since its only value will be the services expended upon it, and rent would be no more than payment for this; therefore it would cease to be rent. Every landlord will then be a land-user. Land, with monopolies removed, would rapidly be brought to the uses for which it is most fitting, and differences of soil would thus become equalised by differences of use—economic rent would disappear.

I need not stop to dwell upon the necessary connection between the poverty, squalor, and inequality of our present system, and the existence of present-day crime and immorality of all sorts; the Socialists have ably worried political economy on this point; I do but emphasize their theory in this respect and declare that with easy economic conditions, which present a nearer approach to equality, nearly, if not all, crime would disappear.

CHAPTER VI.

Malthusianism ; or the Law of Population.

By implication, on pages 71 and 72, the theory of the pressure of population against subsistence has already been met ; still, at the risk of being accused of "thrashing a dead horse" (as it is claimed that Malthusianism has so often been slain) I think a definite analysis of the theory will not be out of place. I have heard Socialists say that the chief merit of Henry George's "Progress and Poverty" lies in his effectual disposal of the theory of Malthus. As a matter of fact, Malthusians who know their theory do not consider it at all disproved by what Henry George has said: he has not attacked the vital point of Malthusianism. In his chapter on the Cause of Industrial Depressions, he says:—"Given a progressive community, in which population is increasing, and one improvement succeeds another, and land must constantly increase in value. This steady increase naturally leads to speculation in which future increase is anticipated, and land values are carried beyond the point at which, under the existing conditions of production, their accustomed returns would be left to labour and capital. Production, therefore, begins to stop. Not that there is necessarily, or even probably, an absolute diminution in production ;

but that there is what in a progressive community would be an equivalent to an absolute diminution of production in a stationary community—a failure in production to increase proportionately, owing to the failure of new increments of labour and capital to find employment at the accustomed rates."* This manner of stating what he conceives to be facts, shows that he has not grasped the central point of Malthusianism as it is applied to modern civilization. In pointing out that speculative land values impede the *growth* of a community and prevent *new* increments of labour and capital from finding employment, he does but point out what Malthusians themselves proclaim, namely, that the community has populated up to available means of subsistence. If George's theory is accurate, and his proposals sound—which cannot be the case if the reasoning of this volume is correct—then, in order to overthrow the theory of Malthus, what he should have proved is not that speculative land values stay the growth of production (population) at a certain point, but that, granting a stationary population, speculative land values would so *contract industry* as to produce that phenomenon which we call over-population. This should shed a different light upon Malthusianism.

Before coming to a philosophic conclusion from the development of the theory of value and the Banking system which I have proclaimed to be essential to the proper effect of the laws of the distribution of products, I will, therefore, examine this theory of the pressure of population against the means of subsistence from the point of view of our theory of value; and in

*Progress and Poverty, p. 186.

order to do so, I shall have to take up the challenge of "England's greatest thinker," J. S. Mill.

Nearly everybody is Malthusian; all trades and professions are more than overcrowded, says the parent, as it becomes more and more a necessity to choose a calling for his child. Indeed, there is no social theory so universally accepted and at the same time practically ignored, none in which the reasonings of the writers are more often exploded, yet constantly reappear, as the theory we are about to examine. There must be some reason for this phœnix-like survival; and is it not that the troublesome phenomena which serve as data admit of equivocal explanation, and are, up to now, unsolved?

Malthusianism survives because in its less irrational form it contains this plausibility of truth which only a thorough grasp of the economic enigma can make plain and sift out from the chaff. One cannot take up a Malthusian treatise without finding the theory, as applied to modern society, stated in one form, while it is continually argued from another point of view, hence while the argument is exploded the theory remains.

My objection to Malthusianism is that it gives a false impression of the phenomenon of industrial depressions. If it were practically adopted in its modern form, very little, if any improvement would result to the working-classes, no more than from any other economy of life. Indeed, not until we have learned to make effectual the law of the proportionality of values can the law of the rapid increase of population so express itself as to find the true and adequate anti-thesis which will result in the solution of what Professor Huxley, for

want of a better knowledge of economic laws, calls the riddle of the Sphinx.

When Henry George argues that "even during the famine [of Ireland], grain and meat and butter and cheese were carted for exportation along roads lined with the starving, and past trenches in which the dead were piled," and that "had this food been left to those who raised it; had the cultivators of the soil been permitted to retain and use the capital their labour produced; had security stimulated industry and permitted the adoption of economical methods, there would have been enough to support in bounteous comfort, the largest population Ireland ever had," he does but state what Malthus himself calls attention to, thus :—"Every increase of the stock or revenue of a country cannot be considered as an increase of the real funds for the maintenance of labour." That it might be otherwise, it is argued, does not alter the fact that the wages-fund, being the only means of subsistence for the majority of mankind, population increases faster than, and continually presses against, this fund of maintenance, as it has with respect to all other means of subsistence. This pressure, we are told, is the constant cause of an over-stocked labour market, and we are asked to limit accordingly, the number of labourers. This is substantially their statement of fact, and may be termed the *actual* of Malthusianism.

From one end of Malthusian literature to the other there is a continual admixture of the actual and the speculative, (of the fact, or supposed fact, and the inference.) The latter, notwithstanding its repeated refutation, is taken as truth; the former passing as its justification.

The theory that population, in modern society, tends continually to outstrip the means of subsistence, for the majority of mankind, is taken almost as an axiom of political economy, and from this supposed fact, the inference is drawn that population would outstrip the means of procuring food even were the produce of the earth unlimited. "Allowing the produce of the earth to be absolutely unlimited, scarcely removes the weight of a hair from the argument, which depends entirely upon the increasing ratios of population and food."

Let us examine what we have called the *actual* of Malthusianism, namely, that in modern society (for that is what we are concerned about), the number of labourers continually press against the wages-fund, and that this is the cause of an overstocked labour market. "I ask" says Mill, "is it true or not that if their numbers were fewer they would obtain higher wages? This is the question and no other: and it is idle to divert attention from it by attacking any incidental position of Malthus or some other writer."* I accept this: and although as an existing fact, population does bear too great a proportion to the wages-fund, I answer, No! it is not a fact that if the numbers of the labourers were fewer, they would obtain higher wages.

In section 2 of the chapter just referred to, we are told that "higher wages are paid when there is a brisk demand for the commodity produced" and *vice versa*. This is intended to indicate that in times of depression wages are low and that in times of prosperity they are high. If this were true, then the fluctuation of prices, which is caused by the alternation of depression and

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Mill's Principles, Book II., Ch. XI., Sec. 6.

brisk, trade would not affect the labourer; but preceding chapters have already prepared the reader for an understanding of this monstrous error which political economy has fallen into. He will remember that in Chapter IV. it was pointed out that "nearly all products are at first dead stock. The rate of profit itself depends upon the amount of dead stock, and any increase of dead stock, others things remaining the same, lowers its money value without affecting wages. . . . Proportional wages rise at the expense of profit. But if an increase of dead stock lowers profit, and a decrease of profit discourages the conversion of dead stock into active stock, it follows that the wages fund will be the smallest when dead stock is relatively most abundant, and when the rate of proportional wages is the highest." This being the case, and it having been proved that the disproportion of dead stock to active stock, in times of depression, is the result of our present system of exchange, it follows that labourers will find themselves, all at once, thrown out of employment, *even if their numbers were not increased;* for it is obvious that the discouragement of the employment of capital through the undue augmentation of dead stock means a diminution of the wages-fund, and a consequent discharge of hands—a surplus population without any increase whatever.

But surely, it will be said, if the number of labourers were fewer in times of depression they would receive higher wages, for is it not a fact that twenty persons applying for one situation lessens the remuneration? It can make no difference in the long run. If, when the shock of depression is felt, when the panic ensues, when the action and reaction of dead and active stock have created the reserve army of labour, this reserve

was straightway shipped to Timbuctoo, the immediate effect would be that the labourers would refuse to accept lower wages. But the consequence of this, reached by many stages, would be a further cessation of employment ; for the reduction of wages would be the only thing to induce many of the capitalists to go on producing.

But there will still be something lurking in the minds of Malthusians. We are asked to observe the marrying and giving in marriage which takes place at any extension of industry. The fallacy of this reasoning is apparent. Industry, after a certain amount of vigour, suddenly retrenches, and this irrespective of any increase of population, but solely as a result of our inadequate system of exchange, as we have seen. Such retrenchment causes an insecurity of employment, and many who would otherwise have entered the matrimonial state are obliged to wait, and the result is a more than ordinary number of marriages at the least sign of an increasing constancy of employment. This ever-recurring oscillation of false security and decided insecurity of modern industry, and therefore of employment, accounts in part for the comparatively rapid increase of population under our present regime, notwithstanding the continual apparent super-abundance of labourers.

The *actual* of Malthusianism fails to stand the test of examination; the speculative, the inference from the fact, will be found equally untenable. Although Malthus investigates numerous forms of society in various parts of the globe, I am unable to remember any instance where "the pressure of population against subsistence" is at all an adequate expression of the

cause of their ignorance and wretchedness; just as in modern civilization, we have found that the pressure of the number of labourers against the wages-fund is altogether a false expression, arising from a false conception of actual facts.

We are told that were society established upon the most perfect basis of equality and brotherhood, "not thirty years could elapse before its utter destruction from the simple principle of population."* Had our economists ever understood the nature of value, they would have seen the absurdity of talking of the pressure of population against the means of subsistence, in modern society. Not until the whole world is so full and entirely cultivated that its maximum yield is reached, need we fear that population will outstrip production or the means of subsistence; and long before that time can by any possibility be reached, so long as the free will of man is allowed to play upon the contradictory nature of value, the decline of population, and not its increase, is the more likely to be the trouble. The economic independence of women, which will result from a society in which the conditions of equitable exchange obtains, would soon do much towards relieving Professor Huxley of his anxiety on the question of population. Moreover, talk with any of the working classes to-day, and how many of them ever dream of the possibility of raising themselves out of their present condition.

On the face of it, the effort looks too Herculean; and besides, the safety of society, while it is attempting to find the universal equations, lies in the adaptability of

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* See the "Essay on Population." Malthus.

the majority of workers to their conditions and mode of life. Any great unrest of temperament which is likely to accompany a general aspiration for better things is a questionable element for modern society, I mean for monopoly. Should such unrest ferment, it might result in a social cataclysm; therefore, that apathy which all social reformers complain so bitterly of, is, up to a certain point, necessary to the safety of society, and at the same time a barrier to the adoption of the principles which Malthusianism would propagate.

Also Malthus himself admits, in more than one place, that insecurity and hopelessness are conducive to a more rapid increase of population than security and good prospects, and among the upper classes, where the standard of comfort is higher, early marriages are more infrequent than amongst the lower classes.

Finally, given the establishment of an equitable system of exchange, and society being established upon a basis of perfect justice, so far is it from true that "not thirty years could elapse before its utter destruction from the simple principle of population," that, the standard-of-comfort, being the foundation upon which competition works, and in the form of remuneration, entering into prices, no more values can be purchased than are produced; that, as invention must precede a rise in the standard of comfort, and as invention or economy in production is always going on, society is constantly and unconsciously creating its capital, labour inevitably leaves an excess; and that, as before values can be brought into general consumption and become necessities, we must have found time and means to produce them in due proportion of labour-time to that

in which other commodities are produced, *over-consumption, or the pressure of population against subsistence, is an economic impossibility.*

CHAPTER VII.

The Philosophy of the Constitution of Values.

Objections to the new system of banking can only come as criticisms of its economic basis and its practicability: *politically it is indisputable*; that is to say, it cannot be objected to on the score of immoral, unjust, or unscientific methods; no force towards any individual is asked for, and its truth is given to the world of thought as an hypothesis, based upon a thorough analysis of the laws which govern production and exchange, the bottom principle of all, value, being here especially treated. I do not bring it forth as a dogma to be forced upon the world at the point of the bayonet. Also, as a consequence, it follows that there is no violation of societary laws of a subjective character.

Political economists cannot object: since it is in accordance with their fundamental principles of *laissez-faire*, and depends for its success upon laws which they have sought and demonstrated the existence of, but not followed out in their sequences. Property, too, is placed upon a basis which is infinitely more impregnable than its present title.

Socialists cannot object: since, if its economic basis is correct, and if it is practical, it cannot but commend itself to a large proportion of them, whose primary

endeavours are to make poverty a thing of the past, to give to labour its full reward, and to abolish Rent and Interest, which they truly declare to be the robbery enslavement, and degradation of present-day workers. The methods Socialists would adopt for the consummation of this desire, are resorted to, not because many of them are not anxious to secure individual liberty, but because they look upon them as economically inevitable. Indeed, their retort to old-time Individualism is, that the workers have had enough of abstract notions of liberty, and unless better proof and demonstration can be given that the economic laws they proclaim will not eternally condemn the mass of mankind to comparative poverty, and a large proportion to actual poverty, then, they say, Socialism will give the largest amount of liberty possible. I am not here concerned, however, with the quarrel, or differences of the two schools of thought; I only wish to point out that individual liberty is an item of their thoughts, and that they only insist upon its suppression where they think such a course would result in the establishment of the maximum amount. So the difference between Individualists and Socialists, is, that one, the former, considers a little suppression of the individual necessary, the other, that a good deal is necessary, in order to establish the maximum of liberty. The reasoning of both seems to me to be bad, and I require neither power to defend, nor force to establish my system.

Co-operators cannot object: since it imposes no restrictions upon their principles, while it places greater facilities in their hands.

It leaves everyone, and all parties, a free hand, and establishes conditions under which individual produc-

tion and the co-operative form, small businesses and large ones, would be able to demonstrate which could render the most service to the public, and what are their respective spheres; and the terms of the competition would not be as now, where services are thwarted and everywhere misapplied by the inequality of opportunities and the wasteful efforts which monopoly and the ostentation of large capitals force forward in all directions.

It satisfies all the conditions of philosophic and scientific research and demonstration; it forces no one to accept the hypothesis; asks for no philanthropy, appeals to the interest and convenience of each individual who is likely to be engaged in its promotion, and cannot, therefore, fall to pieces by the breakdown of the altruistic principle, as such schemes as communism, etc., ever have done.

Justice to every individual must first be satisfied before we can afford, or even know, how to be truly generous; indeed the generosity of communism comes as a duty imposed upon *all*, and as such loses its character, and would be shirked as often as possible. Generosity demands that the individual exercising it shall be free in his choice of the time, place, and object; and if it be called for, at all times, and towards a central object, state, or institution, it is no longer generosity, but, as an enforced duty, something evil, which will bring forth fruit after its kind. "It is in vain, that, following Jesus Christ, they preach the necessity, and set the example, of sacrifice; selfishness is stronger, and only the law of severity, economic fatality, is capable of mastering it. Humanitarian enthusiasm may produce shocks favourable to the progress of civilisation; but these crises of sentiment, like the oscillations of value, must always result only

in a firmer and more absolute establishment of justice." Egoism is the principle upon the predominance of which all reformers must count, and those systems of reform which depend upon, and call for, universal actions in the supposed interest of society, and which do not at the same time satisfy the egoism of *every* individual, or leave it full play, are foredoomed to failure.

A little discussion on this matter of Egoism, perhaps, will not be out of place; but first let me premise it by acknowledging the slipperiness of the two terms, egoism and altruism, and the almost impossibility of making oneself quite clear upon them, edge them with definitions never so elaborate. By egoism I do not mean that worse than animal empiricism which some people, if I understand them, theorize upon. Nevertheless, it is a fact that at one time, the reason why men abstained from wholesale and continual massacre was because of mutual fear. It is the same in other directions; mutual fear of consequences known by the experience of society to follow, breeds such a continuity of abstention from, or commission of, acts, as the case may be, as to develop into a custom, a morality; and when, in any sphere, this once establishes itself, the reason why individuals abstain from, or commit certain actions, is because they have an inclination, or rather, have a decided bias, not to commit, or to commit such actions. It is no longer by reason purely, but by sentiment, reason only coming to our aid should sentiment have a tendency to unduly exhibit itself.

One writer says his only reason for not joining a band of brigands (highway robbers and murderers) is because he would probably get the worst of it. Nevertheless, I don't believe him; his reason is no reason at

all, but simply sentiment, and the former would only come to his assistance if the latter failed, or was likely to be overridden by other sentiments, such as an inordinate desire to possess without producing. We abstain from murder, theft, etc., spontaneously, if I may so speak, and only commit such deeds when other circumstances outweigh this natural inclination, such for instance, as engendered hatred, which may lead to murder, calculated or otherwise. Where calculated, it shows the inability of the individual to conduct sufficiently long processes of the balance of pros and cons as to arrive at the same conclusion as does society, by its vast accumulation of experience. Here, of course, I speak of murder and theft in the form in which society recognises it as such, not forgetting some other varieties of the same order which it has yet to discover as abhorrent. Society discountenances murder, theft, lying, because its accumulated experience teaches it that such things must cease; indeed, that unless they are committed only under circumstances which are exceptional, and which outweigh the natural inclination, and not under the influence of the general inclination itself, present society would be impossible. The negation of dishonesty and lying of all sorts, is the necessary condition of the affirmation of society, and wherever society comes to recognise lying, or robbery, or murder, or dishonesty in any form, indeed when certain actions come to be looked upon as *right* or *wrong*, to violate its dogmas is to bring punishment, in some form, on the individual who thus affronts it. Thus it is that the force of the revolutionist comes to be looked upon as horrible in the extreme, because society knows its existence depends upon a certain

amount of acquiescence and stability, and only justifies force when it knows the quantity, time, and circumstances of its operation, such for instance as governmental force; and then only on condition of its being exercised in a manner which has the appearance, if not the reality, of non-interference with what society's general concepts have proclaimed to be the rights of every individual. These general concepts of society may be partially true, or partially false, but never wholly wrong; whichever they may be, when governments arrive at that inevitable complexity of being unable to any further act, without violating, in a flagrant manner, some of these concepts, or unable to right conditions which exist in violation of them, then acts of violence towards governments come to be extenuated, excused, or treated indifferently, when the individuals, or section of individuals exercising it, can show that they do so in virtue of these rights, as against the government which is fast manifesting its failure to fulfil the mission it is expected to accomplish; a sort of earthly omniscient omnipotence government is looked upon as, which society's collective faith calls upon in its distress, and honours with its praises; a something which can control the nature of things and act without dependence; just as the individual calls upon some power to act especially in his favour, calls upon it in distress and sings in its praise for all the good he possesses. At such times, the principals of wholly successful risings against such, so conceived, abortive governments become prominently historic, and are looked upon as heroes; and indeed they carry their life in their hand; but for long periods have exceedingly questionable reputations, if they fail.

Sociology enables us to say that, even as societies come to understand and select, for general consumption, commodities in proportion as they cost less and less labour and exertion, so, gradually they come to select those actions which experience teaches them are the best they know of. Conduct so selected is looked upon as right, and its violation as wrong; thus society's evolution is a continual war between its acquired general concepts of right, and the conditions under which these rights are in conflict. Conscience and reason, therefore, are in continual opposition,* and by their conflict new paths of action are struck and new moralities acquired.

The experience by which society arrives at its conclusions as to right and wrong, is long and laborious; every morality must be tried over and over again by coming in contact with counter forces, and being tried by the side of other of its general concepts. Some of these succumb by force of superior acquirements; some, for a time, by force of inferior acquirements, but if they are necessary, if they are useful to a sufficient degree for further perfection, once appearing, they will eventually reassert themselves. Sentiment, common-sense understanding, accumulated experience, general concepts, synthetic propositions, call it what you may, and no matter in what form it expresses itself, warrants most careful attention and analysis in every such form of its expression. Society arrives at such conclusions by its collective and historic reasoning (a very different thing to majority edicts) and it is expressed by the

* An expression of Proudhon's in accordance with his proposition of the opposition between *right* and *fact*.

individual in the form of sentiment—we are a bundle of sentiments.

There are two forms of *right;* one form we may express by that word, and another by the word, *just.* The former we might use to denote actions which, having regard to the past and the future, are links in that chain of experience; which are the best forms of conduct society knows; which may not be truly just, since they clash with other forms of right which are too well tried and acknowledged, from all time, to be such. Such conduct, thus clashing with other forms of action of a more definitely and eternally just character, may be said to be dynamically in order. However, whether customs partake of the form of right, or of justice, they have been built up by the same process, and equally express the best knowledge which society has attained to; and the reasoning which ignores them, the 'ism which endeavours by force to suppress them, or, by the same method, to bolster up one sentiment at the expense of another, as Socialism and some forms of Individualism would do, is impolitic, unscientific, and disastrous, however inevitable. Yet the very *raison d'être* of this suppression, this use of governmental force, is a sentiment of the justice of obliging others to conform to society's necessities. That sentiment could not have obtained unless at some time or other society had found it the readiest means at its disposal of preserving itself against individual excesses.

This suppression of sentiment by force—whether it be the sentiment of Property or the sentiment of Socialism, or the hypothesis of Property or the hypothesis of Socialism—I declare to be not truly just, only dynamically in order, and therefore doomed to dis-

appear. But some people define government as a defensive institution for securing individual rights: just for the present I will say that I have never heard of the existence of such a government, but rather that all we know of are first, and above everything, aggressive, and necessarily so. It is a force which philosophy should have no more to do with than to understand its "why and wherefore," and which it has no right to count upon or utilize as a necessary part of its conditions of human relations, that is, its ideal conditions.

Therefore, as well as being contrary to scientific methods of research—because its users are under the necessity of enforcing certain customs or moralities which may be or may not be eternally just, and which experience and long periods of time, indeed all time, alone can prove to be so, and of enforcing as truth customs which may be only dynamically in order, or right in a limited sense—any system of society which needs government to establish it or maintain it, is a system which imposes itself above collective knowledge; which being based upon suppression, and disorganizing the balance of society's laws, must keep on with suppression, gathering in quantity and complexity as it goes, and, finally, produce that inextricability which, as I have before said, renders it incapable of further action without flagrantly violating some of the universal principles which experience says are pre-eminently just. We know what follows. Government makes society impossible, tends inevitably to Revolution.

A philosophy of society then, which requires government as its corollary, that is, whose form of property exists in violation of the rights of some individuals, or

of all, is a philosophy which carries with it its own condemnation; and if it does not violate the rights of any individual, government will not be its necessary counterpart.

But if actions, in defiance of society's general concepts, bring punishment to individuals and to governments, still there are actions which are prejudicial to every individual, indirectly, that is to society as a whole, while directly they have an appearance of decided benefit, and do not bring punishment, individually, as each act is committed, because society has not had sufficient experience of its evil effects, or, may be, having that in abundance, has not yet traced the evil to its source and found a way of escape. Of this latter character is the giving and receiving of interest. It is a custom, or necessity if you will, which nearly everyone acquiesces in; we are collectively responsible and suffer only collectively, and not as individual violators of morality.

The taking of Interest,—including, of course, Rent—is the whole mystery of economic iniquity, possible only as a result of conditions in which labour is robbed of its productiveness, and the whole of industry perpetually perplexed with panics, crises, and depressions. But if this is so, if by interest, the right of the labourer to the produce of his labour is violated, we shall not mend matters by violating other rights, such as the right to borrow and to lend on whatever terms the contracting parties think best to make.—All the conditions of this philosophy are satisfied by the new system of Banking.

Also, these principles of societary evolution have established the doctrine of Egoism, namely, the doctrine of the non-suppression of the convenience of

the individual; for the development of society is a continual war between right and fact, between conscience and reason, between society's dogmas of justice, and the conditions under which it is impossible to satisfy them, therefore, between justice and the convenience of the individual. This is manifest in many ways. Justice says the hours of labour should be shortened; circumstances are full of difficulties and barriers to such a consummation. Justice says, treat your employees better, more as men, and less as machines; circumstances say that such treatment is altogether impossible to be carried out unless the whole conditions of industry are changed. Justice says more wealth to the labourer; individual convenience demands the taking of interest until the present currency is superseded. To abolish or regulate either one of these forces, either the sentiments of men or their individual conveniences, is like attempting to regulate or abolish the centrifugal or centripetal forces of the solar system.

This being so, the right of everyone to do that which to him seemeth best, is philosophically established, and, for the individual, no qualification of this is logically permissible; for as soon as we add the usual proviso, "so long as we do not infringe the equal right of others" we put up a shelter behind which all kinds of crotchets are protected and by which mischievous meddling is excused, and use a vagueness which does but mystify; which defines nothing; which covers many sins, and which admits of the forcing of any form of property upon the world, which any party, when it becomes strong enough, may have conceived of. Not only is this so, but the fact itself is the explanation of the mystical proviso. Force

is necessary to maintain the present form of property; force is necessary to maintain and establish the communal form; and every party, showing that the amount of force it proposes is indispensable, declares its line of demarcation to be the minimum amount necessary to prevent other individuals from infringing the equal rights of all. But we have shown society's method of ascertaining the equal rights of others, of establishing *rights*. There is no other; and although government may be a necessary accompaniment of the present day unconscious and empirical movements, philosophy and science can only call in that force in aid of their conclusions by violating their recognised methods, and leading society on by a mirage.

Those forms of property alone need government for their protection which exist in violation of the rights of individuals and in spite of the unsolved state of the problem of value; and if any form should obtain which satisfies justice, that is, whose possession is based upon a true movement of values, then no government will be needed for its protection. Such a form of property will result from the new system of banking. The fetish of government, and the mystical proviso about other people's rights, which philosophy presumes to have ascertained, and concerns itself to defend, is the result of its inability to conceive of the Constitution of Values.

The economic difficulty being disposed of, the Constitution of Values being proclaimed, Sociology may be classed as a science, Philosophy proclaim the laws of society without violation of its methods, and equitable exchange, being realized in the concrete, we shall move rapidly on to the generation of the anti-thesis of what Malthus calls the law of population, and to the

consummation of that perfection which Herbert Spencer speaks of thus: "The adaptation of man's nature to the condition of his existence, cannot cease until the internal forces which we know as feelings are in equilibrium with the external forces they encounter; and the establishment of this equilibrium is the arrival at a state of human nature and social organisation such that the individual has no desires but those which may be satisfied without exceeding his proper sphere of action, while society maintains no restraints but those which the individual voluntarily respects." Then egoism would not be merely the best form or guide to conduct, it would be the perfect guide, for society's experience of *rights*, would be in perfect accord with *facts*, with every individual's convenience, and consequently individual suppression would be a thing of the past.

But we must make no mistake; this consummation is impossible of realization—all societies will die in their attempt to reach it—if their economists and philosophers, in the face of all evidence to the contrary, delude themselves and befog mankind, either by a happy conclusion as to the perfection of their theory, or by the desperation of the impossibility of solving the problem of value.

There is no evidence that the present civilization is more likely than previous ones to hit on the happy solution by its unconscious movements, and philosophers who delude themselves with this happy faith, do but bury their heads in the sand, while the danger is still threatening. Philosophy must point the road as well as the goal, not indefinitely and vaguely, by asking for the negation of political power which the economic

embroglio renders impossible, but by definitely analyzing and solving the economic contradictions.

But where is the philosopher and economist who has heard of these contradictions and antithetical economic movements, much more found their social equation?

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RENT, INTEREST AND WAGES

OR,

THE REAL BEARINGS OF THE LAND QUESTION.

BY

MICHAEL FLÜRSCHEIM.

From the "Daily Chronicle," *Nov. 19th*, 1891.

Several days ago we commented on Henry George's "Conditions of Labour" in reply to the late Papal Encyclical. To-day it is our privilege to notice Herr Michael Flürsheim's reply to the "Prophet of San Francisco." "Reply" is, perhaps, too strong an expression to use, for the ingenious president of the German Land Nationalisation League is a most devoted disciple of the American prophet, whom he treats throughout his volume with the utmost courtesy, and even the tenderest regard. Nevertheless, Herr Flürscheim is out of sight the most destructive critic the author of "Progress and Poverty" has yet encountered. Banker, manufacturer, merchant, landlord, philanthropist; he tackles the economic question with a vigour, a freshness, and a fulness of knowledge which are bound to make professors of the "dismal science" everywhere sit up. No mere bookish man, however gifted, could have written "RENT, INTEREST AND WAGES." The experienced man of business is reflected on every page, and business men who reflect will perhaps be most competent to judge of the soundness of the conclusions at which the author arrives. The question he asks is, "How is it that, with increasing wealth—better facilities of every kind—poverty increases because work is harder to get? This is now the all absorbing problem of which "Rent, Interest, and Wages" is the *ablest solution*, on Individualist lines, yet offered to perplexed employers and suffering employès.

Herr Flürscheim is not a Socialist, but it will be hard for Socialists to quarrel with him. His object is precisely the same as theirs—to secure to Labour its own just recompense by once and for all closing up the channels of exploitation. Good Collectivists will have to show that land nationalisation as interpreted by him will be impotent to effect this most

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desirable end. But if the results of the abolition of private property in land should prove inadequate or illusory Herr Flürscheim, unlike Mr. George, is quite prepared to give Collectivism a trial. "I agree with Stuart Mill," says he, 'that all the objections against it [Socialism], or even against communism, would appear like a hair in the scale if the conservation of the present state of things without reform had to be taken into consideration. . . . Perhaps it (mankind) would adopt the system even to-day practised in the real family (extended to a greater circle sometimes, numbering almost a hundred individuals in the Zadruga, the Slavonian, family community)—a system best described in the formula of one of the Socialistic schools: 'From every one according to his capacity, and to every one according to his needs.'" It will thus be seen that Herr Flürscheim is a very open-minded Individualist, and indeed, it is not the land alone that he would nationalise forthwith. He would gradually, with the revenue of the nationalised soil, make public and "free" to the public, rails, trams, canals, gas, water—in a word, everything of the character of a natural monopoly.

And, what the happy possessors of all these good—nay, indispensable—things will be pleased to learn, our author purposes to pay everybody out on reasonable terms. He repudiates confiscation, showing pretty conclusively that purchase will be cheaper in the end. In this respect Flürschiem will find himself at loggerheads with Georgeites of the *non possumus* Land Restoration League school; but on the other hand, he is at once brought, or brings himself "within the range of practical politics," as Mr. Gladstone has fully admitted. There is no question of "robbery or folly" involved in Herr Flürscheim's proposals. But how it will be asked, are the monopolists to be compensated and the public yet benefited to the enormous extent predicted by the author of "Rent Interest and Wages"? In *interest* lies the crux of the entire economic situation. In a correct understanding of the phenomenon of *interest* is involved the solution of the question of questions for high and low, rich and poor, namely, what is it that prevents willing and able workers throughout the world from going to work and exchanging the products of their labour for which they have mutual need? In "Progress and Poverty" George explains and defends interest, or what was formerly known as *usury*, affirming that it is not a tax on labour, but the resultant of the fecundity of nature, plus the element of time. This is

George's reply to Aristotle's argument that interest must be unjustifiable, inasmuch as "money cannot beget money." Herr Flürscheim sides with Aristotle. Curiously enough, John Calvin, 350 years before Mill and Senior were discussing "the reward of abstinence," gave the true explanation of the phenomenon. Replying to Aristotle's argument, the remorseless logician of Geneva held: "It is undoubted that money does not produce money; but with money land is bought, which produdes more than the return for the labour applied to it, and which gives a surplus income to the proprietor, after all expenses for wages and other things have been met. *Objects with which things can be bought producing incomes by themselves can certainly be considered as bringing incomes themselves.*" The Georgian puzzle about the difference in the price of old wine and new is thus, according to Calvin, very easily solved. The merchant who instead of buying land with his money elected to purchase new wine with it merely added to the cost of the wine the rent he sacrificed. In other words, interest is rent under another name, and George is landed in the curious economic dilemma of "approbating and reprobating" in the same breath, of sanctioning in part what he confiscates in whole. He has only about one quarter comprehended the full effects of his own theory of land tenure.

The real cause of interest is undoubtedly monopoly, and in the last analysis, the greatest of all monopolies and the father of all the others is private landownership. If capital, Herr Flürschiem reasons, had not land to invest in, it must needs offer itself to Labour. The rate of interest must then sink to zero, or even below it—that is to say, the time may come when Capital may have to pay for the labour of safeguarding it. Meanwhile rent will rise and wages will rise apace, and both will accrue to the "masses," the former in their corporate, the latter in their individual or family capacity. There will be an end of "commercial crises" and "depressions of trade." These our author endeavours to show have their root in usury. "The Rothschild family of Europe," says Herr Flürscheim—and here he touches the core of his argument—"is estimated to be worth £200,000,000, and their income to be £7,000,000. If they and their brother capitalists demanded these £7,000,000 in merchandise there would be no commercial crises, no want of work. But they do not take their £7,000,000 in goods, they want them in cash. To get this cash the workers have to sell the goods they have produced in order to pay the Rothschilds' interest. Who buys them? The Rothschilds

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are only the bidders, say, up to £2,000,000, have no more wants after that. The workers have wants enough, but they have to give up their money to the extent of £7,000,000 to the Rothschilds; they consequently cannot buy goods with them. In this way we find a deficit of £5,000,000 which becomes £5,200,000 the next year—the Rothschilds investing anew the £5,000,000, and increasing their power to levy tribute on the workers. Land nationalisation will do away with rent *and* interest for individuals. The Rothschilds and their colleagues all over the world will have to eat their capital, will no longer be able to extort tribute which they do not use for consumptive purposes. What the workers produce they will themselves consume, and business will be so brisk that there will be free trade all over the world, disbandment of armies and universal peace." Such are the conclusions and prognostications of a man of world-wide commercial experience and no ordinary insight and breadth of intellect. Be they correct or incorrect they cannot be ignored. By showing that the indirect effects of land nationalisation completely outweigh the direct, they add tenfold to the importance of a question already sufficiently pressing and importunate, for assuredly, as the "Prophet of San Francisco" once said, "The land question is the bottom question. Man is a land animal."

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